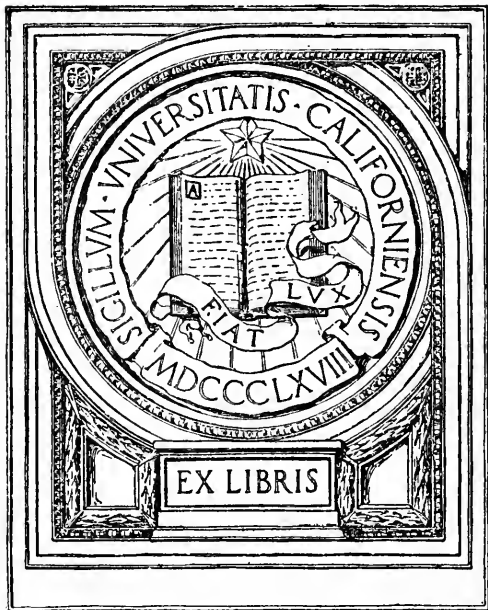


PEACE
AND
BUSINESS

ISAAC ZIMMERMAN

UNIVERSITY OF CALIFORNIA
AT LOS ANGELES



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PEACE AND BUSINESS

BY THE SAME AUTHOR

S. O. S.

AMERICA'S MIRACLE IN FRANCE

THE BUSINESS
OF WAR

THE REBIRTH
OF RUSSIA

THE WAR AFTER
THE WAR

LEONARD WOOD:

PROPHET OF PREPAREDNESS



From a Portrait by F. Walter Taylor

ISAAC F. MARCOSSON

P E A C E AND BUSINESS

BY
ISAAC F. MARCOSSON



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TO
BRIGADIER GENERAL CHARLES G. DAWES
WHO REVEALED IN WAR, AS IN PEACE, THE HIGH
SPIRIT AND INDOMITABLE COURAGE
OF AMERICAN BUSINESS

FOREWORD

THERE was a time when, amid the shock of war, the world deluded itself with the idea that hostilities would cease with the dawn of peace. Peace has come but there is no end of war. Another struggle—as bitter as it is bloodless—holds the boards. It is the race for economic rehabilitation.

But this battle of the market-place is subsidiary to that larger class war which, in some respects, is the deadliest and most vicious by-product of the mighty effort to overthrow German militarism. I mean, of course, the red terror masquerading as Bolshevism which has crystallized all the forces of unrest so long arrayed against capital and order. Social idealism is not among the fruits of victory. Thus the dawn of an era which should proclaim peace and goodwill is clouded with trouble and ashiver with apprehension as to what the morrow may bring forth.

Just as the Peace Treaty readjusted the map of the universe so did it decree a whole new commercial order. The indemnities and limitations placed upon Germany not only sterilize her vast trade aspirations, for the time at least, but likewise create in every Allied country of importance the desire to annex the business domain that once was hers.

In that new struggle for international economic supremacy America has a large stake. She was the deciding factor in the war. If she capitalizes the lessons that she has learned she can be an arbiter of peace. The whole world looks to us for leadership just as it turned to us for succor during the ravaging years. The next twelve months will decide whether we will be able to maintain our far-flung authority.

This book, which is the result of much war-time travel and investigation, points out some of the difficulties, and likewise paints some of the opportunities that lie in the way of a consummation which, if achieved, means much to our future prosperity. The time of test has come.

I. F. M.

New York, July, 1919.

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PEACE AND BUSINESS

I—*The New Britain*

I

ON that fateful November Monday in 1918 when a few scrapes of the pen at Marshal Foch's Headquarters on Wheels dispelled Germany's dream of world conquest another event, unheralded and unrecorded yet big with significance, occurred in the office of Sir Joseph Maclay, the British Shipping Controller, that stands amid the trees and flowerbeds at St. James' Park in London. Before the riot of joy over the Teutonic surrender had gotten under full swing along the Strand and in Piccadilly the wiry little Scotchman, who rose from mate to magnate and who ruled the war-time British Mercantile Marine, took a typewritten sheet from a pigeon-hole in his desk, pressed a button, and the cables began to flash orders to the remotest ends of the Empire. They directed ships in Australian ports to load with mutton and metal instead of troops; they instructed vessels at East Indian docks to take aboard rice and rubber in place of coolies; they commanded transports tied up at Canadian wharves to substitute cargoes of wheat for fresh drafts of men.

That typewritten sheet was like the famous mobili-

zation order which Von Moltke kept in his desk and which needed only the alarm of war to be vivified into the clarion call of a mighty host. It was the "Turn-around" of British Tonnage Allocation from war to peace needs. For months it had reposed quietly in the pigeon-hole in St. James' Park awaiting the Great Day of Deliverance when it would be the first trumpet call to the New Order. Compiled with the coöperation of the Ministry of Reconstruction it constituted the imperial reply to the momentous question: "How shall we face restoration?" that then trembled, and will continue to tremble on the lips of the nations that went to war. It meant that with tonnage, master weapon in peace as well as in war, England was ready.

In this swift transition you get a hint of British preparedness for the colossal task that will test the resources of civilization during the next twelve months. With the possible exception of Germany, who began her reconstruction plans on the day she invaded Belgium, no other country that has borne the ordeal of fire is so well equipped to meet the equally trying and more permanent problem of recovery as the heroically whose Grand Fleet saved the world, and who speaks our mother tongue. It is with her, and her alone, that we must reckon in the bloodless struggle for the universal trade supremacy which will rival the conflicts of the crimsoned fields in scope, vigor and determination.

With no other phase of European economic reconstruction are we so vitally concerned as with the British. Nor is it entirely due to the kinship of a common

race heritage or the comradeship of the battle line where the Anglo-Saxons fought together. We also fought in France and with France; our dead sleep beneath her war-gashed soil. But our deep, sentimental and abiding association with France is not comparable with the bond with Britain, for the reason that the safety and the integrity of the whole economic future depend upon the way England and America act toward each other. They will control the bulk of raw materials; they will dominate cargo carrying; their alliance, which must not necessarily be entangling, will mean that world trade, like democracy, will be safe. They will inevitably clash in spirited competition but it must be a straight, stand-up, fair-play duel between giants, and lacking the poisonous, pernicious penetration upon which Germany reared her one-time commercial authority. Thus the whole British program of recovery is of vital interest and importance to America as she stands on the threshold of a whole new world destiny.

I have had an exceptional opportunity to watch its development. Since 1915 I have commuted pretty regularly across the Atlantic. Year after year—sometimes twice within the twelvemonth—I ranged the warring and neutral lands. More especially in the belligerent countries I began, almost from the start, to look for some realization of the immense responsibilities that would come with peace. Nowhere else did this realization dawn so early as in England; nowhere else has it reached such high fruition. In the midst of a war that sapped her vitality she looked steadily

and confidently ahead to readjustment and recuperation.

British Reconstruction has been an evolution. In the earlier days of the conflict the average Englishman regarded peace merely as a return to the comfortable pre-war conditions. He wanted as little friction as possible in the slide-back to normal. To him it simply meant the renewal of old habits, traditions, prejudices and controversies. This amiable ambition was full brother to the conviction that the war was "a sporting proposition and would be over by Christmas."

But the might of German Militarism as revealed on the field of battle, coupled with the depth of German economic penetration as disclosed by the almost pathetic dependence of British industry on certain essential German products—a dependence that handicapped munitions making—jolted this complacent state of mind. Britain woke up to the fact that to beat the German in war she must be economically free. She turned to the task with a mighty energy. This economic freedom which was the burden of her whole war effort is likewise the crux of her Reconstruction Creed.

Like all big ideas Reconstruction was harried and abused. The "After-the-War" vision became a sort of fetish that attracted both the demagogue and the dreamer. Back in the first year of the war when the so-called Reconstruction Committee of the Cabinet was the lone outpost of Restoration the maelstrom of discussion started to swirl. Everybody had a theory. I listened to floods of impassioned oratory about German

trade menace; I saw the black flag of economic boycott against the enemy powers reared over the Paris Economic Conference; I followed the lurid threats of trade reprisal that ran like a prairie fire through the columns of the sensational British press.

Much of this verbal conflagration, which was as unsound and impractical as it was violent, subsided. But it showed one thing, and it did another. The first was the fact that England was awake to her post-war obligations; the second was the organization of the Ministry of Reconstruction, established by Act of Parliament in 1917 with the Right Honorable Christopher Addison, M.D., as Minister.

Britain demobilized her army by trades and not by units, the essential industries having first call. The scheme set up employment bureaus in the various Labor Exchanges throughout the country; it established a clearing house of machinery and a card index of industrial needs both human and material.

Back of it was something bigger, which bore directly on the present crowded hour when the economic wounds of the world are being bound up. It was the intelligent understanding by England that organized industrial preparation is more effective than reckless threat of boycott, that it is impossible to legislate a people like the Germans out of business, for the reason that individuals and not nations carry on commerce; that it is not economic destruction that will sterilize the trade world against the Teuton but an economic security against his aggression reared in the shape of a huge output. England decided that the best com-

mercial antidote against Germany was to make it difficult and costly for her to do business in the future; to wipe out her monopoly of the key industries and to make future penetration impossible. Her Reconstruction program is the common-sense dramatization of all this and considerably more. It is the goal toward which the Compass of Recovery is set.

Just as she reduced war to a business, rehearsed offensives like the acts of a stupendous play; charted and diagramed the process of Army Supply and Transport—so has she put down on paper the whole Strategy of Restoration. It was a going concern before the Te Deum for Victory sounded in St. Paul's. What is the result? To-day, while the rest of the world that went to war is furrowing the fields in which to plant the seeds of renewal, England is ready to garner a crop. Preparedness always pays.

Though prophecy is as dangerous a dissipation in peace as in war no man who has touched British Reconstruction can have any other conviction than that the Empire, and more particularly England, will recover quickly and with an abundant prosperity, despite the burden of debt, taxation and the inevitable labor complications. In this case history will be repeating itself. War means revelation, and revelation in turn invariably spells expansion. Great Britain's real development came after the long-drawn struggle with Napoleon; the United States emerged reborn from the crucible of civil strife in the Sixties; Prussia and France became world powers with the sheathing of the sword in 1871. Long before Hindenburg and Luden-

dorff passed into the twilight of the German military gods the rebirth of Europe had begun.

There are two phases of British Reconstruction: One is the vast paper program involving the demobilization of army and war industry with all their allied upkeep and renewal, which was translated into actuality on Armistice Monday, as the incident in Sir Joseph Maclay's office showed; the other is the reorganization and development of Production under the spur of war need, which turned to peace with full power on. It is expressed in a speeded-up output, a trained, disciplined and sophisticated people who know themselves and their jobs better than ever before, and in the determination to expand and conserve the imperial resources with every safeguard, including a tariff, that can be set up. With peace Britain unfurled the banner of Self-Sufficiency from the mast-head of Empire. What is she doing? What does she propose to do?

Before we can analyze this huge scheme of Restoration we must first see what those four years of strife taught England. No one need be told at this late date that War is the Supreme Revealer. It bared the soul of Britain. Not all the disclosure was pleasant but most of it has proved profitable. It is one of the compensations of the war. Under the lash of necessity—which in the great struggle was nothing more nor less than self-preservation—England found out that she had permitted the German to thrive like a mushroom in her midst, sap the lifeblood of vital industries, and make himself practically indispensable to the productive well-being of the nation. She likewise

discovered—as the myriad rejections for army service showed—that her population was badly nourished, and housed still worse. A third disclosure was that her industry was disorganized and was an easy target for attack.

On the other hand she learned before a year of war had registered its bloody progress that she could in time become self-sufficient; that the ill-nourished Cockney could be developed into a “first-class fighting man;” that her women were a great asset in toil; and that her industry could not only be coördinated but could fill up the gaps made by the loss of those German essentials to manufacture. In this Knowledge England has found Power. It has been the lever by which she has lifted herself to the heights of a new world economic authority. A land of detached factories has become a continuous workshop athrob with “the hum of mighty workings.” The wise always profit by their mistakes. England has been wise. She is not only reconstructing herself but making the world a better place to live in.

England turned from war to peace with an ease that upset all theories. Let me illustrate with a personal experience. All through my incessant war wanderings I had wondered where I would be when the end came. I fancied myself at the Front, where a sudden lull would succeed the deadly din of death; again I had a mental picture of some Allied capital, where the long night of suspense would merge into the daybreak of wild rejoicing. Neither of these happened.

On the morning of November eleventh I was in

Boulogne having come by the night train from Paris. Three days before I had stood on the shores of Lake Constance in Switzerland and looked down on Germany and Austria with the home of the Zeppelins straight ahead of me. Now, on what will always be one of the "mornings of the world," I was in the French city that four years of war had almost completely Anglicized. It had been one of the chief ports of arrival for British troops, and the point of debarkation of the sick and wounded. Year after year I had seen it nervous with energy, shaken by the weight of guns—a continuous procession of khaki that represented the two extremes of war.

But on this Novemebr morning, as if in the anticipation of the great event that impended, it had a new atmosphere. Transports swung lazily in the harbor, the destroyers that had kept up their eternal vigil nosed along, the quay that had resounded with the tramp of millions was almost deserted. Peace, like those familiar "coming events," seemed to have cast its benediction before. At ten o'clock I boarded the British Military Leave Boat that crossed twice daily to Folkestone. It was packed with officers and enlisted men going home on furlough. Half-way across—literally in "Mid-Channel," where the lady in the famous Pinero play of that name made the tragic decision—a long gray patrol boat came dashing up, a-flutter with flags and with her sirens shrieking. She brought the news that the armistice was signed. Thus on the waters that had borne the burden of so much war agony and between the two great nations joined by

bonds of blood and sacrifice I heard the great news.

Now for the real reason for the intrusion of this incident. Practically every man on that boat except a few diplomats and I had carried arms, and most of them wore wound and service stripes. All had come straight from the Front. Yet they scarcely turned a hair at peace. Nor was it the traditional British imperturbability. There were scores of overseas troops in the crowd, who lack the casualness of the Mother Country. The temporary colonel, who sat in a deck chair at my left and who had left his coal mine in Wales to join up blew a ring of smoke into the crisp autumn air and said: "I'll soon be getting back to the underground again." The rosy-cheeked captain with the blue-and-white ribbon of the Military Cross on his breast, who had done nothing more exciting than add up accounts in a Manchester factory before he began to kill Germans, remarked: "I wonder when I'll be back on my old job again"; while the grizzled old major, whose two boys lay beneath the ruins of Ypres, growled and said: "I've got to get an active job somewhere." Everyone accepted the stupendous change as a matter of fact, and his first idea was to wonder what he was going to do next.

That afternoon I entered a drenched but delirious London, where the tumult made the Mafeking revel seem like a far-away whisper. Before night fell like a wet blanket over that hysterical metropolis the lights were gleaming in the War Office, the Admiralty and the Ministry of Shipping. These dynamos of destruction had become almost in an hour the main-

springs of renewal. The business of war had ended and the business of peace was at hand. Contracts had to be canceled and the new battle line of rehabilitation set up. At the Ministry of Reconstruction, which had waited like a runner at the tape ready for the crack of the starter's pistol, the machinery was started, and the work of recovery began.

Wherever you turned in London during those stirring days you found that the popular mind realized the new responsibilities of the nation. I met a famous cinema director in the Strand. He had been at work on a war film. I asked him how his project was going.

Quick as a flash he replied: "That story is scrapped. I have started a big reconstruction story."

Even the taxicab drivers caught the spirit of change. Before the armistice they regarded it as a condescension to convey you, and a war-born privilege to overcharge. Now they suddenly became human, took you where you wanted to go without question, and even smiled upon the one-time supplicants for their favor. Reconstruction was not without its miracles!

England not only had the mood for reconstruction but she also had the tools. First and foremost was her Ministry of Reconstruction, which was a glorified congress of experts who represented the social, economic and industrial backbone of the country. The moment the German collapse occurred Doctor Addison announced an advisory council consisting of a panel of men and women of wide experience and distinction in every one of the many activities that relate to reconstruction. This council is divided into five sections,

each one having a chairman and a vice chairman. These chairmen and vice chairmen constitute, with the minister, what might be termed the board of directors of the corporation of reconstruction. They meet two or three times a week and keep abreast with the march of events.

The functions of the various sections give you an idea of what the ministry is doing. Section One is devoted to finance and transport; Number Two deals with production and commercial organization; Three with labor and industrial organization; Four with rural development, including agriculture; and Five is concerned with social development, which embraces education, health and housing. There is also a subsidiary women's advisory committee. The wide range of these activities shows that with material recovery goes a social rejuvenation, which will make the nation healthy and comfortable and therefore happier and more efficient. It is a big point in the salesmanship of rehabilitation.

Now for the actual tools. The end of the war found England with these assets: Her banking facilities—through a series of mergers which I will describe later—were in an ideal condition to foster industries; her productive machine was geared up to an output never dreamed of in a country where restricted output was the first rule of manufacture; her man power and woman power were on the tiptoe of training; her knowledge of world-trade secrets was as complete as four years of censorship could make it; her transportation system, from canals to railways, had learned in-

calculable lessons in upkeep and coördination; the state had become the accredited partner of big business. There was a kindling sense of international responsibility that vied with the physical fitness of the workers.

But this was not all the equipment. Animating and sustaining British life was the supreme lesson of thrift born of the necessity of doing without many things that had been regarded as indispensable in the years of peace. The nation had learned to serve by saving; it had found out the meaning of popular investment. It was almost worth the price of the war in blood and treasure. Topping it all was the consciousness, written in horny hands that had once been work-proof, and in pleasure-loving hearts now seamed with sorrow, that just as war had meant work and sacrifice, so must peace mean unremitting toil and still more sacrifice. There must be no armistices to effort!

With the hushing of the guns England realized that however elaborate her reconstruction plans might be they must guarantee at once two all-essential things—food and employment. With the former there was practically no anxiety. The abnegation of America, combined with the enormous stores of wheat piled up in Australia and elsewhere that only awaited shipment, solved this problem. The immediate release of tonnage from war work expedited the movement of all this grain.

The big job was to deal with the labor problem, which necessitated the demobilization of the millions of workers in the munition factories and other war work. This emergency was met in orderly fashion by

doing two things: One was to discharge those employees who were not industrial workers prior to taking up munitions work and who were willing to withdraw voluntarily; the other was to divert the war workers to their previous occupations or into the new industries that are a part of the imperial program of self-sufficiency. Thousands of the women who entered the factories during the war came from the country and then went back to the land, where still another chapter in the story of England self-contained is being written. The Women's Land Army of war became overnight the Women's Land Army of peace. It means a more intensive and a more scientific cultivation of the soil, which is one of the many compensations of four years of blood and suffering.

All this is by way of introduction. We can now get down to the brass tacks of Reconstruction. The British war effort was reared on Industry expressed in what we call quantity output. This same institution has become the corner-stone of the whole new era of recovery. The late war—it seems strange to be writing of it in the past tense—was a War of Machinery. It was the British workman pitted against the German artisan. Peace will not change this line-up. The only difference will be in the output. Safety razors, typewriters, adding machines, cash registers, motor cars in “massed manufacture”—to use a British phrase—will succeed shells, guns, grenades and aeroplanes. Again “weight of metal” will win.

In 1915, when I made my first study of British war

industrial conditions, there were less than a thousand Government-controlled factories. On the day the armistice was signed there were exactly seven thousand. Britain was one vast mill, and unlike those proverbial mills of the gods it did not grind slowly. The problem was to adapt this immense production to peace, at once and without dislocation. How was it done?

To get the answer you must first come with me to the office of Winston Spencer Churchill, Minister of Munitions, in the old Metropole Hotel in London. Just a year ago I sat in that same room and talked with him about the problems of peace. This strange child of destiny who at forty-four has had more virile public service than half a dozen other statesmen have packed into their lifetimes, paced up and down the floor smoking a fat cigar and talking with dynamic energy. When I asked him about Reconstruction he made one of his characteristic epigrams, for he said: "Let us look after the war now, and the war after the war will take care of itself."

The conversation came back to me vividly as we sat before the fire, with the shouts of rejoicing over victory coming in from Whitehall. Peace had ceased to be a theory and had become a condition. The perpetual storm center of British politics—for Churchill is always about to start something—felt the mood.

When I asked him what he proposed to do to prevent industrial dislocation he gazed meditatively into the fire, pulled slowly at his cigar and replied: "The nation will become the shock absorber."

When I asked him to elaborate he replied: "The whole program of adjusting machinery for the munitions of peace is already in operation. We have arranged to dispose of half of the government arsenals to private manufacturers, who have already begun to adapt the equipment. A lathe remains a lathe. The other government arsenals will be kept as going concerns. We must be prepared for any emergency until the actual peace treaty is signed."

Within a week after the Kaiser had fled to Holland the Ministry of Munitions of war had become in reality a ministry of the munitions of peace. I will tell you why. When Doctor Addison was shell master of England—he succeeded Lloyd George when the latter became Secretary of State for War on Kitchener's death—he established a card index for every machine tool in the United Kingdom. The original purpose was to release tools from nonessential to essential work. That index was also started with the idea of having an inventory on hand when peace came, when every bit of machinery would be worth as much to reconstruction as it had been to war. The net result was that on November twelfth British industry was able to take immediate stock of itself and know precisely what it had on hand to work with.

The card index became immediately available for every British manufacturer who, by reason of the nation-wide pooling of machines, had a stake in this enormous mass of equipment. Nor was it a perfunctory collection of dates, makes and numbers. On every card was the type of machine, its origin, make,

capacity and condition on October first. Those suffering from wear and tear were marked accordingly. Every machine that had been scrapped was so indicated. In other words every tool marked "available for peace work" was ready to start up, and it did.

On the day after the war ended the ministry began to allot this machinery to the new needs of the country. The small manufacturer came in on the same pro-rata basis with a big one. The supreme lesson of coöperation, learned through the stress of war when shells meant life and life in turn meant the safety of the world, has been translated into peace, and it can only mean a vitalized and speeded-up industry. The ink was scarcely dry on the armistice before applications for machinery began to pour in on the Ministry of Munitions, and they were filled without confusion or delay.

Now let us see just what constitutes the British industry in process of change. It falls into three classes: One is the straight war plant, built and dedicated to war needs, which must be scrapped or must undergo a complete transformation; second is the peace industry, which was adapted to war, and which can be salvaged and restored to its original work; the third branch is what may be termed civil industry and which in the actual course of war events would have remained idle during the conflict which reddened Europe.

This civil industry provides one of the most illuminating examples of the prudence and foresight with which England went about her preparations for speedy

reconstruction. When the war broke out there were scores of industrial enterprises throughout the country engaged in manufacturing commodities not essential to the war. As most people know, these industries were pared down to the bone and in some instances suppressed. Some of them, however, contributed largely to British export, were factors in the foreign-exchange situation and were necessary institutions.

Such an industry, for example, was represented by linoleum. Its manufacture requires the use of linseed oil, which was highly necessary to war work. Civil use of this oil was prohibited, and it meant the complete tie-up of the linoleum output, which in turn would throw thousands of people out of work. More than this it meant that the buying world would find a substitute for the British article.

Doctor Addison looked beyond those racking war days to the morrow of peace. He said to himself: "The civil industries must be protected and maintained in some way, so that they will be going concerns when the war ends." He appointed a Civil Industries Committee, headed by J. Wormald, a Manchester engineer, which worked out a definite program for the conservation of all these activities. To use the happy phrase coined by Doctor Addison, the "potentiality of recovery" became the keynote. The committee decided that not only were all these civil industries worth saving but that they should also be kept up to a state of operation and efficiency that would enable them to turn to their full stride with peace. In the case of linoleum a working amount of linseed oil was allo-

cated to the industry every month, and in this way it was maintained. Hence the workers kept their jobs, the machines were employed, and the town of Kirkcaldy—a seat of the industry—prospered instead of going to seed. Instead of becoming discontented the workers emerged from the war as useful cogs in the whole large national productive machine.

What was true of linoleum has been true of other industries. England has kept the furnace fires burning and it means that she has come into an industrial authority that will give her a whole new world prestige.

These civil industries, however, contribute only a comparatively small part of the British output. The bulk of British production was harnessed up to war. It follows therefore that the most important phase of transition has to do with the thousands of controlled plants. Instead of being paralyzed through intensive concentration on munitions they have already shown that they can make a quick change. Here is a concrete case.

I have before me an advertisement that I cut out of the London Times. It was headed A New British Car. Under it was printed the following:

“It is interesting to learn that Messrs. Blank & Co., who have been busily engaged during the war on fuzes, aëroplanes and other government work, are proposing to place on the market an All-British four-seater standard car.

“We understand that the car will embody several

distinctive features and will not be a small car, the wheelbase being eleven feet.

"It is proposed that the selling price will be in the neighborhood of £266—and this will include all accessories such as self-starter, electric lighting, tires, etc., etc.

"A like delivery van will also be standard and selling at a slightly cheaper price."

There is much food for thought for the American motor manufacturer in this advertisement. First of all it shows the swift turn-around in British industry. In the second place it discloses the fact that the British having standardized shell making are now turning to the standardization of those articles on which we once had a monopoly in large output. With motor cars in particular we shall face a keen competition in England, for the reason that the present tariff of thirty-three and one-third percent on all imported cars will undoubtedly be maintained for a considerable time in order to give home manufacture a chance to recuperate. Practically all the automobile makers in England concentrated on aeroplane engines and big war trucks during the war. With the introduction of thousands of American and French cars they have lost a great deal of their own goodwill. They are determined to get this back. Meanwhile we shall have to open up new export markets for our surplus trucks and cars.

Throughout England the arsenal has become the factory of peace. The greatest of all British armament firms on the Clyde, which made everything from a machine gun to a sixteen-inch naval monster, is

making a line of peace goods that includes sewing machines, turbines, gas engines, magnetos, motor cars and typewriters. One of the huge ordnance plants at Coventry has been converted into a giant producer of electrical machinery. Here is where you get the first evidence of the new British independence of German goods. The old German electric-machinery trust—the "A.E.G."—is not likely to get a foothold in the United Kingdom again.

Before all this machinery could be shifted from war to peace one important thing had to be done. It was the disposal of the immense mass of war stores. This was the situation: For four years and three months every ounce of productive energy in the United Kingdom, with the exception of Ireland, was devoted to war output regardless of wear and tear and cost. The task was to beat the German. In every theater of war the British piled up supplies. Guns and men had to be fed; mechanical transport accumulated at a tremendous rate; vast surpluses were concentrated both at home and abroad as insurance against submarine depredations. Everything was dumped into the giant hopper of the conflict.

The decks had to be cleared of this mass of material. You get some idea of the job when I tell you that the army surplus stores over and above the quantity retained for emergency and the future were appraised at not less than \$2,500,000,000. In addition exactly 470 square miles of land were occupied by government buildings either for storage, manufacture or otherwise. Yet this only represented, so far as

stores were concerned, the material hang over of British war supplies. The prompt disposal of this material meant much to the new British industry, as you will now see. By absorbing as much of this material at home as possible British factories were free to plunge at once into the manufacture of products to supplant the immense mass of wartime importations, and also to renew and expand a foreign trade that had suffered enormously during those four years of travail.

Once more the Ministry of Reconstruction got busy, with characteristic energy and foresight. Organized and ready to swing into action was the Advisory Council on the Disposal of Surplus Government Property, of which Lord Salisbury is chairman. Its first step was to begin a complete survey of the needs of the various British municipalities. The idea behind the survey was to provide cities and rural communities with machinery or supplies. The surplus stores represent everything from a lawn mower to a five-ton motor truck. Hence every conceivable demand could be met. It not only enabled Britain to get the best stuff at cost but it expedited the whole business of restoration.

All municipal stores were low, due to the war's drain on commodities. The City of London, for example, needed a thousand trucks; Liverpool wanted a hundred water carts; half a dozen counties required rock crushers and rollers for their highways. The overseas dominions were not forgotten. The ships that are taking the Anzacs back home are also carry-

ing machinery and motor equipment for the expansion of the Australian Commonwealth. Everybody came in on this grand-prize package of billions.

This mountain range of material requires an immense storage. Likewise it must be transported to all parts of the Kingdom. The next step was to survey the ports in their relation to the railways, so that the material will have the shortest route to the seaboard. All the storage has been pooled. The underlying motive of this phase of reconstruction—as well as all others—is “Cut the carry.” England has learned how to concentrate effort. It took her a long time to get speeded up but she has caught the pace now.

So much for the unused material. In addition there are hundreds of thousands of tons of war and manufacturing equipment damaged through exposure, storage or enemy action. All this has come under the ministration of the Salvage Department of the army, which is one of the many permanent gifts that the war has made to humanity. This remarkable work, which began as a sort of despised fifth wheel of the army in France, saved the War Office more than half a billion dollars in three years. It has become a permanent institution and will have an immense effect on the rehabilitation of the whole Empire. Salvage and reconstruction go hand in hand.

The necessity for disposing of surplus government property has led to the organization of a whole new government department that points the way for a kindred step in America. Since an immense number

of men must be kept under arms for a considerable period and because the government will continue as a purchaser on a large scale a Ministry of Supply has been established with Lord Inverforth as first Minister. It will inevitably become the most important post in the Cabinet, for the reason that it will gradually become the general national provider. This ministry will really supervise disposal, because it must keep a close tab on existing stores. It will be the center of all governmental procurement, and it will standardize the supplies of peace precisely as it standardized the munitions of war. During the war, the British Army contract became a sterilized document. It loses none of its character with peace. Henceforth every contract for national supplies must be censored at the Ministry of Supply, which will gradually displace and succeed the Ministry of Munitions.

The question of national supply naturally leads to the all-important matter of raw materials and their control. It is almost unnecessary to say that rigid control, both of industry and materials, was one of the first aids to victory. The waging of the war on such an unprecedented scale drained resources to the limit. More ammunition was expended in a single day on the Somme than during the whole Boer War. Now that all facts are permissible I can say that every week England sent sixty thousand tons of explosives to France alone. Without control this would have been impossible.

In no country was it more drastic than in England. Life was one control after another. Indeed every-

thing was rationed except virtue and the weather. Those who irked the most under the drastic regulations realized how necessary they were to success in the struggle against Germany.

The supreme court of control during the war was the War Priorities Committee, of which Lieut. Gen. J. C. Smuts, the one-time Boer leader, was chairman. Associated with him were the Secretary of State for War, the First Lord of the Admiralty, the Minister of Munitions, the President of the Board of Trade, the Minister of Reconstruction and the Director of National Service. They saw that every ton of material essential for war did its duty. This control was distributed. The Ministry of Munitions, for instance, allocated all steel and copper. The Board of Trade rationed coal and chemicals; and so on.

With the end of the war the first question that came from the manufacturers was: "Will control continue?" It was natural. There could be no return to normal output without relaxation of restriction, for the reason that though hundreds of factories owned quantities of steel, iron, copper, brass and nickel, these materials could not be employed without a priority of work order.

The Ministry of Reconstruction, the Ministry of Munitions and the Board of Trade—the three arbiters of the new industrial fate of England—did not keep the producers waiting long. On November twelfth—the day after the signing of the armistice—the edict went forth: "Industry must have the widest possible freedom." The lid of control was practically ripped

off. Coöperation succeeded restraint almost overnight.

In hundreds of factories the superintendents dug down into dust-covered and long-deferred orders and began to allot them throughout the works. These orders covered goods that ranged from bathtubs to the steel work for office buildings. During the war all construction save for war work was practically prohibited. With peace the country faced a colossal amount of building. In addition to the renewal of old structures an almost staggering amount of fresh erection had to be made. This includes not less than 500,000 houses for workmen, which are part of a vast housing plan that is one of the many activities of the Ministry of Reconstruction. If you have any doubt about an ample employment in England during the next few years this little matter of building will help to dispel it.

Though industry has been given the greatest possible freedom there is still a general supervision over certain materials. The War Priorities Committee has been succeeded by a Post-War Priorities Committee, which is the watchdog of raw materials for the period of reconstruction. General Smuts is the chairman, and his associates include the Minister of Reconstruction, the President of the Board of Trade, the Minister of Labor, the Minister of Shipping, the new Minister of Supply and the Minister of Munitions. One of its principal functions is to see that no scrap of raw material controlled or emanating from Britain gets into the hands of the enemy powers. The Em-

pire is determined that the enemy of the battle field must remain the antagonist of the market place.

At the cost of millions of men and billions of dollars England has learned the value of raw materials. Germany's whole supreme effort in the field was based on an imperialized industry that had its grip on metal and other essentials throughout the world. Britain will duplicate that performance, but in a constructive way.

Britain's new policy was summed up to me by a high government official who said: "You do not need a diagram to point out the fact that the war ravaged the world's supply of raw materials. The struggle to obtain them for reconstruction will be bitter. England will think of herself first. After our own needs will come the replenishment of the trade areas devastated by the Hun. We do not propose to give Germany or her old allies the raw materials with which to get off first in the race for the after-the-war trade. She deliberately destroyed part of the industrial resources of Belgium and northern France with the sole idea of crippling competition at the end of the war."

Significant of the reborn British industry is the formation of a standing council of seasoned business men headed by Sir Henry Birchenough, who acts as adviser to the Post-War Priorities Committee. It is a Who's Who of British trade, manufacture and shipping, and it is the determining factor in the remaining control of raw materials. This control, so far as Britain is concerned, is very amiable as compared with the rigid exactions of wartimes. It takes the form of a block allocation and the specific rationing is done by

the industry itself. It sets up an autonomy, and it proved highly successful with civil industries during the war.

One impressive indication that England will never be caught napping again in the matter of raw materials is found in the survey of materials which has been undertaken by the Ministry of Reconstruction. Its purpose, to quote the official statement, "is to consider the nature and amount of the supplies of material and foodstuffs which will be required by the United Kingdom during the period of reconstruction and the return to normal conditions of trade and the steps which should be taken to procure these supplies, having regard to the probable requirements of belligerent and neutral states." In the American vernacular John Bull is determined to find out just where he stands. This combing out of materials will undoubtedly prevent any future hoarding of essentials, which was one of Germany's favorite diversions in the past.

If England has learned one thing above all others it is the value of self-sufficiency. It was first hammered home by the dependence upon Germany in the key industries; the enormous consumption of raw materials during the war clinched it. A new imperialism has developed which finds expression in the slogan "The Empire's resources for the Empire." One of the dynamos behind this movement is the British Empire Producers Association, which awakened the nation to its long and costly neglect in developing its resources.

Before the war the United Kingdom depended upon Germany and Austria for eighty per cent of its sugar, despite the fact that with the exception of Cuba, Hawaii and the United States, most of the sugar-cane areas of the world are within the imperial confines. During the last two years immense areas of beet sugar have been planted in the various British Colonies, notably Australia. There will be no dependence henceforth upon Germany or Austria for sugar. Cotton affords another example. Thanks to the British Cotton Growing Association huge plantations have been established in India and Africa. The Empire has tapped fresh oil reservoirs in Burma and increased her coffee and tea growing in Ceylon.

One of the results of the war is the organization of the Imperial Mineral Resources Bureau, which has undertaken an intensive development of the resources of the United Kingdom with special reference to the nonferrous metals. Its efforts have also uncovered new coal areas and iron-ore deposits, and really given the Kingdom many fresh natural assets. The tin-mining industry of Cornwall, which went into a decline before the war, has had a rebirth of productivity. A mines department is one of the many new Government institutions.

Still more striking is the formation of the British Metal Corporation, charged with the exploitation of the whole British trade in metals. It faces reconstruction as the one rival of the famous German *Metallgesellschaft*, which was the Teutonic metal trust

and which had its tentacles in Australia, Canada, Asia, Africa and America. Wherever metals were mined or refined there you found the agent of this Colossus, ready and willing to corner output and make any inducement to get a monopoly on future business. The British Metal Corporation has taken a sheet from the book of this German outfit. Every dollar of its capitalization of \$25,000,000 has been subscribed and paid up. Like British Dyes, Limited, it is sponsored by the Board of Trade and therefore will expand with peace. With the government standing squarely behind it it has every benefit of the British world-wide trade intelligence system and shares in the imperial preference which will be one of the trade safeguards of the Empire in the coming days. This powerful new agency for British industrial development specializes in copper, tin, lead and nickel. It is setting up smelting and refining works. The next logical step will be the acquisition of mines. Nothing will be left to chance. The leading figure in the enterprise is Sir Charles Fielding, head of the famous Río Tinto copper mines in Spain, which are British-owned.

With iron and steel England has been equally vigilant. Since 1914 she has increased her annual output of steel from 7,000,000 tons to 12,000,000 tons. By the end of this year this will probably be increased by 2,000,000 tons more. Germany's rise to power in iron and steel was over the body of a prostrate industrial Britain. The dead has come to life. In this resurrection lies one huge obstacle to the swift economic come-back of the Teuton.

II

Raw materials, however abundant, provide only one step toward the new industrial freedom. The real essential is an alert and highly organized production and this essential has been found. The war brushed the cobwebs out of British factories and awoke them to their responsibility and capacity. Peace therefore found industry like an athlete trained to the minute. The keynote of the industrial peace offensive is summed up in three words: "A great output." With it England will set up the economic security that will be her weapon against any possible future Germanic commercial aggression. On it are based her world-trade hopes.

Her capacity for enlarged production was amply demonstrated during the four years of stress and storm. Not long ago I heard of a certain factory in Birmingham that had reluctantly made a contract to deliver 10,000 finished parts of a certain appliance each week. This agreement was entered into in January, 1915. Before the end of hostilities it was turning out 250,000 parts a week practically in the same shop. Science combined with standardization had done the job. The card index and the efficiency expert are as common to-day in English factories as in American.

The British producer has really and truly learned the value of coöperation. This finds its best expres-

sion perhaps in the work of the Federation of British Industries. In 1917, it had a membership of five hundred and sixty-three firms and seventy-eight trade associations. On the first of January, 1918 it had 16,000 firms on its rolls, whose combined capitalization aggregated \$20,000,000,000. It represents what a merger of the Chamber of Commerce of the United States and the National Association of Manufacturers would express, and then some.

The federation is the new sponsor of British world trade and stands squarely behind the whole reconstruction program. It did not wait until the armistice released industry. In every important world capital outside the enemy countries it had a staff of legal advisers at the service of British merchants and manufacturers everywhere. These advisers were also trade scouts who ferreted out business opportunities and sent comprehensive reports about them back to London, where they got swift action.

More important than this, however, was the offensive and defensive trade alliance entered into with half a dozen countries. In France, for example, the federation has formed the Association of Great Britain and France, whose sole function is to stimulate commerce between the two countries. In Serbia it has organized the Association of Great Britain and Serbia. Other similar bodies, due to the same initiative and enterprise, are the Anglo-Brazil Trade Association and the Anglo-Greece Trade Association; and others identical in scope are in process of organization in Argentina, Holland and Chile. Each of these as-

sociations has one or more well-equipped offices, which become at once rallying points for British trade and the center of an invaluable commercial intelligence. Foreign trade can be built only out of knowledge of needs. This is the supreme lesson that America must learn before she strikes her permanent international business gait.

Backing up the world-trade aspirations of the Federation of British Industries is a scheme of collective advertising. If a single British manufacturer or if even half a dozen wanted to put their names and trade-marks in the leading journals of foreign countries it would be a very expensive proposition. But if a hundred of them combine for this purpose it is not such a drain on the office purse. This is precisely what the Federation has done. Each group of industries represented has taken space in the leading popular and trade publications of France, Spain, Holland, Switzerland and several of the South American countries for an intensive publicity campaign which has one idea in mind. That idea is to proclaim the worth and might of the British-made product. The British manufacturer is big enough to see that whatever advertises his country boosts the goods of the country at the same time.

Collective bargaining has its full mate in this collective exploitation. It indicates that the value of advertising has soaked thoroughly into the British consciousness. Before the war the number of national advertisers was comparatively small. The billboard, the poster, and the display advertisement in the news-

paper and the magazine not only recruited Kitchener's army, sold war bonds, brought home the great lesson of economy in food; but they also showed that printer's ink, liberally and wisely used, is a great factor in the development of a nation.

The work of the federation at home is no less effective than its operations abroad. It has reorganized British industry into seventeen main groups, each of which includes a major industry or a closely allied group of smaller industries. This makes for rapid development, swift mobilization and distribution of raw materials; and united and therefore cheaper publicity. In addition to these groupings the members have been organized on a geographical basis. There are sixteen districts in England, Scotland and Wales, each with its own organizing secretary. The manufacturers in these various districts get together once or twice a month, talk over the situation, and keep in touch with what they and the rest of the world are doing.

At the head of the Federation of British Industries is Sir Vincent Caillard, head of the great armament house of Vickers, Ltd. It is more than a coincidence that this great captain of British industry—his establishment is the Krupps of England—should be at the helm when British industry is being transformed from a war to a peace basis. Sir Vincent is one of the most progressive men in Britain; an enthusiast on labor-saving devices, who worships the god of quantity output. His influence is bound to be felt throughout all British production. It is typical of the new

order of industrial things in Britain that the secretary of the federation is C. Tennyson, a grandson of the poet, who prefers the job of piloting business to a career of literature.

A still further evidence of the fact that British industry has got together for a world effort is shown in the organization of a Joint Council of Manufacturers, consisting of the Federation of British Industries, the British Empire Producers Association and the Imperial Council of Commerce. The objects of this organization are:

"To consider and report on any questions of mutual interest reflecting the common aims of the three bodies—namely, the conservation and development of the industry, production and commerce of the United Kingdom and her oversea Dominions.

"To initiate the consideration of any such subject.

"To take any action in relation to such subjects that may be specifically authorized by the constituent bodies."

No other phase of the war-born British industrial expansion is quite so significant as the advance made in the key industries. Here you touch a development of peculiar interest to us. When the great war crashed into civilization in 1914 it revealed many things. It showed the brutality that lay behind the smug German smile; it disclosed the lust beneath the veneer of Teutonic kultur. No less striking was the disclosure of the dependence of Britain and America upon Germany for the essentials to manufacture. As most people know, perhaps the most important of

these were the coal-tar dyes, which were as necessary to the making of munitions as they were to peaceful trade. Though England's imports of dyestuffs amounted to only \$10,000,000 a year they made a textile industry aggregating \$1,000,000,000 a year possible.

In the struggle to achieve independence of these German dyes in the future England has made amazing progress. This brings me to an episode that emphasizes the new get-there spirit of British business. It likewise shows that Uncle Sam was not on the job at a certain great hour when he might have fastened his hooks into an asset of tremendous value to his industry. Before the war the two important dye-production centers were a group of towns in Germany and the busy little city of Bâle, in Switzerland, which is on the Rhine and almost within a stone's throw of the late Kaiser's dominions. These Swiss factories were in the main Swiss-owned, though they had many German operatives; and what was more important they owned or controlled the German dye formulas. For years the great bulk of the raw materials with which they worked came from Germany. With the outbreak of hostilities Germany shut off this supply and the Basel dye works had to look elsewhere. The enterprising American consul there immediately got busy, sent a report of the situation to Washington, and expected that his Government would take immediate action to annex this invaluable industrial domain. Less than a month later, however, a representative of the British Board of Trade appeared on the scene, sewed up most

of the Basel dye manufactures with ironclad contracts and agreed to furnish the raw materials. To-day England in addition to her own government-endowed dye industry has the benefit of the great majority of the Swiss works with all their trained workers and their formulas, which were worth any price that was paid in the transaction. Just how Washington fell down in this matter is another story.

What England has done with dyes she has duplicated in practically every one of the kindred essential industries. The curtain was raised on her performance at the New British and Key Industries Exhibition which was held at Central Hall in October, 1918. It was a remarkable demonstration of the independence which is the keynote of the whole British industrial endeavor. In 1913 this exhibition could not have been held anywhere in the world except in Germany. In coal-tar dyes, for example, twelve firms exhibited. They were headed by British Dyes, Ltd., organized and endowed by the Board of Trade and representing the new partnership between the government and big business. This company is not only a going and prosperous concern but is reaching out throughout the world.

With magnetos a similar achievement has been registered. Before the war practically every magneto used in a British motor car or an aëroplane came from a famous firm in Stuttgart. The country is now practically self-contained in the production of this all-important apparatus. When the war ended more than eighty per cent of the magnetos used by the Royal Air Force—easily the largest consumer in the country—

were of purely British design and manufacture. British magnetos have been used on aëroplanes, seaplanes, airships, tanks, trucks, motor cycles, ambulances, cars, searchlights, motor boats, pumps, wireless sets, blower engines, exhaust fans, salvage sets, agricultural tractors, caterpillar tractors, motor machine-gun carriers, trench diggers, auxiliary engines on submarines, re-mount hoists, miners' safety lamps, hand-starting traveling workshops, motor plows, dynamo lighting sets, X-ray sets and gas engines. Not only have British magnetos come to stay but an organization known as the British Ignition Apparatus Association, with more than a dozen powerful firms as members, has been formed to keep the new industry up to a proper production.

So too with tungsten—the key of keys. Germany refined seventy per cent of the world's supply before the war, despite the facts that forty per cent of it was mined within the British Empire and fifty per cent of the refined output was used by British manufacturers. All that is changed now. At the Key Industries Exhibition eleven all-British firms showed that henceforth not a pound of German-produced or German-refined tungsten is necessary for manufacturing purposes throughout the United Kingdom. A similar advance was shown with spelter, nickel, zinc, manganese, lead, antimony and graphite. What is true of these vital industries is also true of optical, chemical and bacteriological glass, in which Germany and Austria had almost a monopoly before the Prussian madness was let loose on the universe. All this glass in

ample quantity and satisfactory quality is made in England, as more than a dozen exhibits showed.

The important matter of interest to America in connection with these key industries is that every one of them will be protected by an adequate tariff for many years to come. I close this section with a remark made to me by a member of the cabinet, which has tremendous meaning for the whole world of industry. When I asked him about the future of dye manufacture in England he said: "Not until 1929 will any dye be permitted to come to England from anywhere without a special license." This protection will almost inevitably be followed by a prohibition of absolutely every commodity that can be produced within the Empire. The American exporter will soon find out that "Britain for the British" is more than a phrase.

Closely related to the growth of British industry is the new development of hydroelectric power. England, like the rest of the world, will henceforth try to do her work electrically. Here you have another one of the many dividends of war. During those years when the Hun was running amuck coal came into a whole new prestige. It almost made and unmade governments. Germany used coal as a merciless weapon against the small neutrals. She capitalized their dependence upon her for this pivotal product and with it wrung mighty exactions. Together with her vast shipping, coal formed one of the principal British war assets.

The enormous demand for coal as disclosed by the war has led to a national movement for its conserva-

tion in England. Coal is rationed and will continue to be rationed for an indefinite period. One reason lies in the immense waste attached to mining and distribution. The wastage in by-product of coal alone is almost greater in annual value than the entire world's output of gold. There is another reason for Britain's conservation of fuel. An ample surplus during the period of reconstruction will be an invaluable bargaining asset. The nation with coal to spare during the next two years will have an advantage greater than any that could be contained in a favored-nation commercial treaty. If America is wise she will use coal as the basis upon which to rear a whole new world-wide trade relation. It is a trump card. We have the coal, and now, thanks to the war, we have ample cargo carriers. It is up to Washington to do the rest.

Realizing the tremendous bargaining value of coal England is launching a vast scheme of power production. The country is being charted into regions. Each region will have a central power plant. The juice will be available to every man. All that he will have to do is to tap the power main. The government will fix the price. It is estimated that by the procedure more than 50,000,000 tons of coal will be saved each year. In addition it will enable the small manufacturer to set up shop without the considerable overhead cost of installing a power plant. Likewise it will tend to revolutionize certain industries, notably spinning.

By this time you undoubtedly have the impression

that the government is standing squarely behind the whole British commercial development. The main-spring of this sponsorship is the Board of Trade. For years it drowsed in a jungle of red tape awaiting the galvanic hand that would stir it into life and action. It was a traditional top-heavy British institution long on precedent and short on result. When Britain, like America, suddenly discovered with the advent of war that her big business men were a distinct national asset Lloyd George put Sir Albert Stanley at the head of the Board of Trade. He proved to be the fairy prince, for he gave it a sort of magic awakening, made it a vitalized ministry of commerce, a glorified school of salesmanship; the creator of a definite and coördinated national trade policy.

I asked Sir Albert, who by the way got his whole business training in the United States, what was the biggest problem that confronted the Board of Trade.

He replied: "On the day the armistice was signed ninety-one per cent of British imports was for some kind of war munitions. The remaining nine per cent was for civil needs. The nation's business job henceforth is to reverse these figures."

This means that every energy and resource in the Kingdom will be dedicated to the establishment of a vast export trade. During the war England learned to do without many imports. Scores of these came under the head of what was then believed to be necessities. The sacrifice and abnegation of war have put these articles—many of them came from the United States—into the luxury class. The new world-trade

creed of Britain gives scant aid or comfort to the German manufacturer who may labor under the delusion that his atrocities on land and his crimes on sea will be forgotten. First and foremost among the conditions imposed upon goods shipped into England is that every article of foreign origin, no matter where it is made, must be plainly labeled "Not British." This means that never again can German goods masquerade under British labels as they did before the war. If the same rule, together with an attested certificate of origin, were enforced in the United States the immense factories that Germany has acquired in neutral countries like Switzerland, Spain and Sweden would soon go out of commission.

It took England a long time to get wise to the German trade game. It will take her just as long to have a change of heart, for she is determined that the boche will never taint her trade again. The other day I saw the following sign in a shop window in Bond Street, which is the fashionable retail business thoroughfare in London:

"No person of German birth whether naturalized or not can enter these premises."

The new restrictions governing the electrical trades will indicate England's attitude about enemy manufacture. They are:

"The prohibition of import of enemy goods for three years after the conclusion of peace, subject to importation under license in special circumstances after the first twelve months.

"The imposition of import duties sufficiently high to protect effectively the electrical industry.

"The prevention of the sale of any imported electrical goods at prices lower than those current in the country of origin.

"The treatment as enemy products of all goods produced in foreign countries by concerns controlled by enemy capital or under enemy direction."

These restrictions show clearly that the German will never again be permitted to indulge in his favorite oversea sport of "dumping." There will be such a rigid censorship and comparison of world prices that if in his overwhelming desire to come back commercially he seeks to achieve an immense turnover with a small margin of profit he will have to operate in some domain that does not fly the British flag and in which there are no laws against "dumping."

No less exacting are the new rules that govern British shipping. For the next three years no conference arrangements will be permitted between British shipowners and the Central Powers, especially Germany. The whole tendency of the new British trade policy, which is as national in scope as the closest government coöperation can make it, is to make England the new center of universal trade. Her great desire is to sell the world, but, as both nations and peoples have discovered, you cannot sell without buying. The drastic restrictions that she is putting upon imports into the Kingdom will have to be modified if she proposes to do business on the scale that is at present outlined.

The more you go into a study of the new British industrial policy the more you realize that every advantage is being taken of the lessons of the war. The Board of Trade, for example, has established a department of scientific and industrial research. Here you have a frank duplication of one of the activities that made Germany industrially great. Before the war if you wanted to find the real source of Teutonic world-trade might you had only to look into the laboratories of Elberfeld, Stuttgart, Jena or Essen. Every huge German manufacturing establishment had its corps of trained scientists and investigators. In one famous drug establishment at Elberfeld, for example, there were seventy free-lance chemists. Their job was to conduct original experiments on their own. Sometimes less than half a dozen produced results capable of commercial exportation during the year, but these results were worth millions.

England is developing her industry along these same scientific lines. For one thing she has founded an institute of industrial chemistry. The University of London has shattered its tradition about not having any vulgar contact with "persons in trade" and now confers degrees in Commerce. British business is having all the scientific research that the traffic will bear. Likewise a whole new system of apprenticeships in the factories has been inaugurated. German efficiency will be fought with effectiveness.

That England is capitalizing every up-to-date trade trick is disclosed by what may be called the World Trade Circus fostered by the Board of Trade. It is a

portable exhibition of British wares that will make a tour on wheels or on shipboard through all the leading countries, including Japan and China. Each firm's exhibit will be arranged so that it can be placed without extra packing in standard cases which may be set up in a public hall or even shown on a railway train. It is estimated that the London, Manchester or Birmingham manufacturer will be able to display his wares all round the globe for less than one thousand dollars. That this typically and almost aggressively American idea of goods exploitation has emanated from such a one-time sedate and dignified institution as the Board of Trade is one of the post-war miracles.

Experience has shown that accurate and up-to-date commercial intelligence is a first aid to business. In this respect England has a priceless asset in the shape of a Who's Who in Foreign Trade compiled out of the information yielded by the censorship and the War Trade Intelligence Department. For more than four years practically all the mail from enemy and neutral countries as well as the mail from the United States to England passed through British hands. These letters and documents contained the trade secrets of the world. They not only disclosed plans and projects but also quoted prices and contained other data of inestimable value. England therefore begins her era of reorganization with a complete knowledge of what her principal competitors propose to do.

That England is ready to cope with whatever economic emergency may arise is evident by the formation of a huge money trust that makes its prototype in the

United States seem like a mere pretender. Our octopus was for home operation. The British giant regards the world as its field. It is the power plant of the reconstructed and expanded British business.

When the war began there were eleven great joint-stock banks in London. To hint at any step that would disturb the inviolate individuality of any one of these institutions meant heresy. To-day—and it has all happened within the past twelve months—they have been converted into five combinations that represent the absorption of sixteen different banks, whose deposits aggregate nearly \$7,000,000,000.

The new Lloyd's combine is typical of what has been going on. It includes the famous Lloyd's Bank, with deposits \$880,000,000; the Capital and Counties, with \$300,000,000 on its books; the National of Scotland, with \$150,000,000; and the London and River Plate, with \$125,000,000. The consolidated concern has exactly 1,525 different branches. Dominating this Gibraltar of finance is Henry Bell, of Lloyd's, who is rapidly succeeding to the authority maintained for years by Sir Edward Holden, chairman of the London City and Midland, who was the dean of London banking. Even Sir Edward's bank, which once expressed the last word in conservative British banking, has succumbed to the syndicate fever, which shows that a real revolution in method and organization has been effected.

What does this massing of millions mean? Many things, and all of them of vital importance to the United States. In the first place it is England's procla-

mation to the rest of the world that London will remain the international financial center. With such a wealth of concentrated capital, whose outposts are planted wherever the trade winds blow, the universal symbol of trade will be the pound sterling. It further indicates that there is ample capital behind the new British industry. With only a few men at the top to decide on big propositions there will be no delay in underwriting fresh enterprise and expanding the old. Since the close of hostilities there has been a tremendous demand for money. It grows out of the need of funds to renew the wear and tear of war on machinery and plant, and the increased cost of production.

There is still another highly useful purpose behind this federation of finance, for such it is. It will be the one group in the Allied countries capable of bucking the inevitable union of German banks which will be the dynamo behind the Teutonic trade recovery. These banks—the Deutsche, Dresdener, Disconto and Darmstadter institutions—the four famous “D’s”—have sunk their past bitter competition in the larger desire to recoup the shattered fortunes of the Fatherland. They will have a real antagonist in the British money trust, whose operations should make Wall Street realize that its horizon must be widened. The war has taught the British banker the one great secret of international banking, which is putting yourself in the other man’s place, finding out what he wants, and letting him have all the credit he wants. Long-distance trade demands long credits.

The banking trust represents only one phase of

British consolidation. For a year there has been a real epidemic of mergeritis. British Dyes, Ltd., and Levinsteins, the two largest manufacturers of colors in England, have joined forces for a combination that will develop into a serious rival of the old German dye concerns. Equally significant is the pooling of interests of the two greatest British chocolate firms, whose names blaze from every billboard in the kingdom. Just before I sailed last December three of the largest explosives manufacturers were planning a union, with the idea of turning to peaceful output with as little duplication of products as possible. Everywhere in England the keynote is "We must stand together." The country is developing into a huge trust.

Just as finance, as expressed in credit, is the life-blood of business, so is transportation the chief artery. Banking and shipping have always been the bulwarks of British trade. So far as the former is concerned you have seen how a whole new battleline has been set up. With shipping the outlook is not so rosy. The slaughter of British ships by the submarine has put a dent into a one-time supremacy of the sea. Though war construction ceased on the day the armistice was signed, and the Clyde and other regions reverted to the construction of cargo carriers at once, England is still considerably crippled, and will continue so for at least a year.

With her railways England has learned a supreme lesson not without its helpful hints for us in our own hour of possible transition from government to private ownership. At the outbreak of war all the British

lines were taken over by the government. In time they will be restored to the stockholders but, to quote a high Government official, "they will never again have the same freedom of action." Why? Simply because the national operation of the roads showed that the waste had been prodigal. Sir Albert Stanley told me that the wastage in the combined British system was not less than \$200,000,000 a year.

The most striking feature of British railway reorganization on a peace basis, aside from the fact that an eight-hour day has been granted, is the standardization of equipment, which will extend from spikes to sleeping cars. In addition traffic is being equalized. In some parts of England, for example, it has been too dense; in other sections too scant. A definite scheme of equalization of operation has been worked out so that the whole Kingdom will have adequate transportation facilities. It is estimated that the whole process of railway reorganization in England will mean upon completion a saving of not less than half a billion dollars.

Five years ago the statement that the aërial omnibus was practical would have evoked ridicule. The war has made commercial aviation possible, and in no other country, save perhaps in Germany, has this possibility been seen or snapped up so swiftly as in England. Within forty-eight hours after the victory celebrations had begun tickets were being sold for an air service between London and Paris. The schedule calls for departure from the Ritz Hotel in the British capital at ten o'clock in the morning and arrival at the Ritz

in Paris at one-thirty in the afternoon. The price of tickets is fifteen guineas, or about seventy-five dollars, each way. This London-to-Paris service is merely a hint of the part that aviation will play in the drama of world commerce. The universal air routes are being charted. A company has been formed in London to operate a twelve-hour service between London and Rome. Likewise a service between the Mother Country and Australia is being discussed.

Any study of British reconstruction must be in terms of Empire. Never again can England be deaf to the need or call of the Colonies. The imperial blood-brotherhood, cemented by sacrifice from Ypres to Gallipoli, means an alliance no less potent or powerful in peace than in war. So far as Canada is concerned there is no problem. She is our neighbor and sister breathing the same air and aglow with the same freedom and action. Our new kinship will be with Australia, that gallant fellow-democracy whose heroic achievements of the war ended her old isolation. Before the war Australia seemed in the popular mind to be a far-away place—a vast sheep ranch peopled by ticket-of-leave men. The war literally brought Australia home to England, and likewise to America, for our troops in France and England have found them congenial fighting fellows.

There is a deeper affinity between America and Australia than this breezy comradeship. It lies in our common responsibility in the southern Pacific, where Germany had begun to rear a whole new empire of trade, which had the usual adaptability to war. What

the average American perhaps does not realize is the fact that the Kaiser was strongly intrenched at New Guinea, New Britain, the Caroline and Marshall Islands and in Samoa. These islands not only commanded the trade routes in that section of the globe but were likewise the key to Australia. Of a total estimated population of 1,500,000 in those islands the German possessions contained nearly 800,000. They presented as artistic a piece of German penetration as could be found anywhere. Outwardly they were the bailiwicks of ordinary peaceful trade; inwardly they were potential strongholds of war. The cliffs hid powerful wireless stations; the harbors were ideal naval bases; immense supplies for sea raiders were cached far inland. These islands represented one of the many German war traps that needed only the press of a button to be sprung into destructive action.

With the outbreak of the war Australia, with the help of New Zealand, captured these islands. She does not want to give them up. Here is where we come in. Through our stake in the Pacific—principally the Philippines and our growing world trade—we shared the German danger with Australia before the war. Had the boche won, our overseas enterprises would have suffered with those of the British Dominions. The German would have ruthlessly ruled that neck of the globe, and no other nation would have had a look-in on commerce. If Germany is to remain beaten commercially in the same way that she has been vanquished on the field of battle she must not be permitted to fasten her hooks into those Pacific islands again.

Australia realizes that her full partner in the Pacific is America. The voice of the commonwealth is W. M. Hughes, that remarkable personage who rose from peddler to premier. It was he who first declared economic war on Germany; who smashed the enemy monopoly on the antipodean metal fields; who broke like the wrath of an angry god over England in 1916 and roused the Kingdom to her post-war commercial responsibilities.

So to Hughes, who was in England for the imperial conference, I went to talk about America in the Pacific. In the great war it was my privilege to see many striking contrasts that were always the product of troubled hour and circumstance. There was, for example, an unforgettable interview in Petrograd with Kerensky, then at the height of his triumph, in a shabby, white-washed room while thousands clamored outside for an interview. There was a winter walk with Sir Douglas Haig through a wood in France while less than twenty miles away the booming tides of death rose and fell. There was also that day when I sat with Lloyd George, the one-time Apostle of Peace who at that moment occupied the chair of Kitchener, the War Lord. In all that gallery of dramatic extremes no experience in some respects was more striking than the evening with Hughes in front of the fire at a modest house at Hampstead in the suburbs of London.

It was a few nights after the signing of the armistice. Behind me I had left a London delirious with delight and tasting the first fruits of victory. In what seemed to be a thousand miles away from all the

tumult and the shouting sat this little, keen-eyed, torrent-tongued leader, who with his people had played such a big part in achieving the stupendous results. He spoke, as always, with a passionate energy.

"America and Australia have much in common," he said. "We not only speak the same language, think the same thoughts, spring in the main from the same stock and are animated by the same ideals, but we have fought side by side for the cause which, with peace, has a new kinship for us. Together with New Zealand we have a community of economic interests in the Pacific that, thanks to the German madness, is just being appreciated. The Panama Canal has linked the Pacific to Europe. The volume of world commerce and its center of gravity have tended more and more toward the Pacific. It is bound to be one of the great new trade domains. Ever since they first set foot in those parts the Germans have been a menace no less to America than to Australia and New Zealand. Now that their stamping ground for penetration has been taken away from them it must never go back. Australia is committed to a Monroe Doctrine of the southern Pacific, and its integrity must be maintained. Our warning to the Germans is: 'Hands off the Pacific.'"

I asked Mr. Hughes about the prospects of a closer commercial bond with Australia and he said: "Australia looks forward to a new and intimate business relation with the United States. We have sent a trade commissioner to New York to the end that American capital and American enterprise find their way to our

country, which is a whole new world awaiting development and which is capable of maintaining 100,000,000 people. You need our wool, meat and fruit, and we need your machinery, wood and many other things. The peoples of Australia and America must know each other better and trade with each other more."

Now for the final glimpse of British reconstruction, which brings us back to England. The machine of recovery, whose flywheel began to whirl on the day the Germans collapsed, faces only one real danger, which is also a world danger. It is embodied in labor. The battalions of toil can undo or accelerate the whole vast program of rehabilitation. Nowhere else in Europe is there such unrest in labor as in England. The enormous wages paid during the war created tastes and habits that demand a continuance of the swollen pay envelopes. Unemployment will upset the whole scheme of things. The great revival projects, together with the immense schemes for housing, may be able to keep the workers busy. If they are kept busy there will be no time to foment trouble. If not, all the well-laid plans are liable to suffer a serious setback. No man can tell what the Labor Morrow will bring forth.

From one European change, however, England is immune. The war which made the world safe for democrats has also made it decidedly unsafe for royalists, as William Hohenzollern has learned. Amid "the old dynasties breaking up in thunder" King George sits serene. His job is safe. When all is said and done he is really head of a crowned republic. In

no other monarchy is the idea of kingship so firmly rooted. It is a national habit. In this loyalty lies insurance against the abrupt economic dislocation that always attends the overthrow of a form of government.

England has learned much these past four years. Animating the nation is the Spirit of a Constructive Endeavor that has flowered out of the wastes of war. Gone forever is the sloth that fettered the Britisher of other days whose week-end holiday lasted from Friday until Tuesday; who placed sport above work, and who looked upon trade with contempt. The faith of the fathers was good enough for him.

The drowsy ease of old cathedral towns has been shaken by the rumble of heavy artillery, the immemorial turf, undisturbed by the march of centuries, now teems with garden truck. Cabbages grow where kings and dukes once disported. Amid the mud of Flanders, the deserts of Mesopotamia, down on the Ægean, and across the stretches of the North Sea, was born the kindling sense of work and responsibility with which Britain faces the future.

With it has come a real understanding of America. Before the war the average Yankee, with a cynicism which was a phase of provincialism, viewed the Englishman with suspicion mixed with amusement. In the same way the Briton regarded the American as a crude, noisy and impossible person. That mutual ignorance has been succeeded by mutual regard. We will be keen rivals in trade but we will also be friends.

Once I talked with Doctor Addison about the Anglo-

Saxon kinship. He said, "For years we have played at cross purposes. The war has brought us together and together we must stand in the great task of restoration. The combination of American idealism and British tenacity will be irresistible."

II—*France and the Future*

I

LONG before the last transport steamed homeward with its freight of trench-ried doughboys the constructive effect of their presence had been seen and felt throughout the length and breadth of France. We have not only helped to make the world safe for democracy but with word and deed—principally deed—we have shown our sister republic how to be more efficient and therefore more prosperous. This near-Americanization of our Ally must stand out pre-eminently in any forecast of the results of the War of Wars. It has tremendous significance for the future world trade program.

War, however hideous or prolonged, always ends, as we have discovered, but Business, which makes war possible and which provides the universal meal ticket, goes on forever. For more than four years a stupendous and passionate energy was geared up to a monster endeavor regardless of price or sacrifice. Production meant Destruction. All this is changed. The same titanic effort is now diverted to rehabilitation. Production must spell Prosperity in the swift and bloodless transition. The time is at hand when the world must take stock of itself—make some inventory of the

price of conflict, and likewise appraise the inevitable economic compensations.

When you analyze the effect of war on trade you find in the afterglow of the conflagration which red-dened the world that they have a curious affinity. The struggle which humbled the Kaiser was really rooted in the commercial aggression of Germany, no less arrogant than her ruthless military authority. No American need now be told that the Teutonic factory of peace was the full if silent partner of the arsenal that piled up the implements of death against the dawn of the great day that was to proclaim the undisputed might of Pan-Germanism. That might bore the stamp of the German mark.

With this dream shattered it is interesting to dissect the costly and tragic disillusion. The Pan-German—and by him I mean the German commercial and financial overlord of the type of Helfferich and Gwinner, the directors of the Deutsche Bank—looked upon the war as a definite piece of good business for Germany. Bulwarked by years of intensive preparation which put an unprecedented burden of taxation upon the German people, and with a characteristically Prussian confidence which was just another name for colossal stupidity they—and they were simply the stool pigeons of the Kaiser—held that with France at their feet, Britain humbled, Italy prostrate and America rebuked, the universe of profit was theirs. The whole far-flung, subtle and sinister German economic penetration of the last fifteen years had war in view, and that war the grim means to a world-wide economic mastery.

Go back for a moment to the beginning of the bloody struggle and you realize that one reason for the Kaiser's collapse was his extraordinary lack of judgment. In the American vernacular, his "dope" was all wrong. He thought, for example, that while his gray hordes rushed like whirlwinds of fury through Belgium and France on the one hand, and tossed off Russian legions on the other, Britain would be helpless by reason of civil strife. But Britain gave him his first great jolt. She not only rushed to the relief of Belgium but the cubs of the Lioness rallied from the Seven Seas. Instead of rending the empire asunder the Kaiser bound it with bonds of blood and knit an undying kinship. He made the same mistake with America. He looked upon us with scorn and contempt, only to find to his sorrow that the potential strength of the democracy of Lincoln and Lee was one of the vital constitutions to his ruin.

Those smug Pan-Germans who, linking trade with militarism, looked upon war as good business got the surprise of their lives. In one way they were right. War did become a business, but with this difference—it became the business of the civilized world to overthrow the Prussian monster. In hurling him from his brutal eminence Europe has not only been sterilized against future military aggression but at the same time every nation on the ineffable roll of honor which bears the names of the Allies emerged from the stupendous struggle, poorer in her man power, deeper in debt, yet richer in knowledge and better equipped to undertake

the colossal work of economic regeneration which is henceforth the supreme task of the world.

Years before the first expeditionary force landed at St. Nazaire the intelligent Yankee who knew anything about Europe felt, with that great statesman of other days, that "Every American has two countries—his own and France." Fighting side by side with France, and in France, only intensified this feeling. Though there is no sentiment in business it is bound to have a tremendous effect on the future commercial relations between the two countries. It is no exaggeration or eagle-screaming to say that no other Allied Power has left such a deep impression on French life, habits and commerce as America. Millions of our soldiers have not only gone to France but literally have spread over the entire country. A comparison with British activities will show what I mean. The British were confined to a comparatively small area of the country. I made more than one trip through the whole zone of the British Armies ranging from port to trench, and it was a brief journey. They entered the war at the start; they were able to secure the channel ports, which made their lines of communication short. The British war section was therefore compact and accessible to the mother island.

America, on the other hand, came into the war last. The channel ports were already occupied. She had to take the Atlantic gateways in the south. The net result was that her lines of communication overseas had to extend practically from the Mediterranean to Alsace-Lorraine. It meant that the American Army

was scattered over more than half of France. Our troops have been everywhere, and this is why I say that having touched so much of the land their influence will be felt throughout the nation.

The American soldier is a friendly being. He lacks the reserve of the British and he likes to make himself at home. This intercourse backed up by the wide range of his operations naturally gave him a decided social advantage over his British comrade.

But this is only one reason why the Yankee impression in France will be the strongest and the most lasting. From sea almost up to where the guns boomed we laid the hand of a galvanic endeavor upon the land. It was recorded in docks that grew out of swamps and marshes; in enormous supply cities that rose almost overnight where vineyards and farms had drowsed; in hundreds of miles of new railway tracks over which rushed great American locomotives. We speeded up output, dramatized the spirit of "do it now"; and all under the drive of an acute war necessity. Peace will reap the benefit.

Some of this work has been temporary and merely met the need of emergency. The wooden warehouses will fall away under the fierce onslaught of wind and weather; the average life of most of the docks that we built is only forty years; the gridiron of tracks and switches will become part of the French railways systems in time, even as the record of the deeds of the doughboy will merge into the history of the Allied achievement. The really permanent thing will be the lesson of speed and efficiency registered by American

engineers and American builders, which will inevitably shape and influence the social and industrial future of France. With this galvanization of factory and fire-side, its effect upon the commerce of the country and, what is equally important, upon the foreign trade of America, we are mainly concerned.

All things begin with the human being, so we will first take the human element. The American, as we all know, is intensely human, and he finds a full-blooded brother in the volatile and emotional Gaul. We Americans have shown in countless ways—more especially in the swift elevation and almost immediate demolition of our popular heroes—that we are nearly as Latin as we are Anglo-Saxon.

A great Englishman whose name is inseparably bound up in the glories of the war once said that the Frenchman is "part child, part man and part woman." Knowing this you can readily understand how easy it has been for the American to get on with him. Despite this naïve quality the Frenchman's eye is always on the main business chance. He has given the American soldier concrete evidences of his thrift.

Yet the doughboy bears him no ill will for it. The war has been a great adventure for the overseas American, and whether he stays in France or goes home it has made him a world citizen. He is grateful for the opportunity to broaden and learn. He will be better equipped for whatever job he tackles after the war.

Go to a barber shop in Paris or any other big French city and if the barber speaks English he will say: "I'll give you a quick shave." In a country where

shaving is almost as great a rite as eating this is revolutionary.

When you touch the matter of food—which is one of the glories of France—you touch the bailiwick that has been speeded up perhaps more than any other. Let me illustrate: For many years there was a certain restaurant in Paris famous for its food and for the distinction with which it was served. It was characteristically French in its atmosphere in that the rapid-fire American tourist had overlooked it in his hunt for a Continental lobster palace with gilt and noise. It was quiet and dignified. Each meal was a work of art to be reveled in.

One night in September, 1918, I went there to dine. I had not visited the place since the American participation in the war. I ordered a modest dinner and sat back to indulge in the anticipation which is always the prelude to a real French meal. To my horror and almost before I realized it the waiter not only brought the food but everything I had ordered at the same time.

When I protested he said: "I thought you wanted your dinner in the American manner."

He was not to blame. The fault lay with the quick-lunch habit of the American.

Whole French communities show the effect of the American invasion, and more especially those towns that have been our ports of entry and in which we have established important supply headquarters. The shops are busy and bustling. The more enterprising have abandoned the archaic habit of closing their doors

from twelve to two during the sacred hour of *déjeuner*. These communities will never go back to the old ways, because there will always be Americans to serve.

Scores of French towns have been economically reborn thanks to the American occupation. They have had such a flood of prosperity that they are able to face peace with full pockets even though their hearts are saddened over the loss of loved ones. I am not exaggerating when I say that the money spent by the American and British expeditionary forces throughout France will help toward compensating the country for the cost of the war. Only the dead that sleep on the hillsides will never come back. The great and irreparable loss of France is the loss of her men, for which no material gain can ever compensate.

The French newspapers have thoroughly caught the spirit of American promise and exploitation. I have before me an advertisement cut out of a Parisian journal during the war which might well have appeared in a New York daily. It begins like this: "O Boy! what can we send you?" The next lines are: "We can mail you to the trenches anything from a packet of gum to a grand piano. We give you a square deal, bed-rock prices, and your money back if we fail to please." Could anyone ask more!

Thanks to the American invasion the Frenchman is reforming his writing habit. It has been said that if you give a Frenchman a fountain pen and a ream of paper he will write himself to death. It is the favorite indoor sport. The traveler has innumerable evidences

of this. Everything that used to happen in a French shop was carefully written in a big book. No one ever knew what became of this book but there was a general impression, certainly among Americans, that it involved an immense amount of useless labor. Such was the so-called *burcau* habit. The French shopkeeper is not so keen about writing everything down now. The more advanced are using adding machines, cash registers and typewriters. Formerly they got some of these from their German neighbor but it is not likely that this one-time source of supply will be resumed. France intends to manufacture these articles herself.

Changing France is a marvel of adaptability. It found no more picturesque expression than an episode that happened in October at the château of a famous French prince whose name and title were almost as old as the nation itself. His country house, a center of fashion when Louis XIV was king, and across whose shining moat rode the beauty and chivalry of many generations of French nobility, was not far from a temporary camp of an American Signal Corps unit engaged in stringing a new telephone service from Tours to Paris.

While out riding one day the prince happened on this camp. He was so much impressed with the businesslike manner and personality of the men that he invited them to his château for tea. They arrived in a five-ton truck that clattered noisily up the imposing tree-arched avenue and whose din was in sharp contrast with the exquisite aloofness of the place. The

prince received the men in the stately salon where kings and princes had sat in state, praised their strong Virginia cigarettes, learned how to roll the army "smoke," and reveled in undiluted American slang. The soldiers had the time of their lives, and when they climbed up on the big gray truck to go away they united in giving their host an ear-splitting American college yell the like of which had never shaken the corridors of the old château.

Here is another instance of the mingling of the French aristocracy with American democracy. A certain marquis with a title as long and as ancient as a page in the Book of Kings was unable to occupy his summer home, located near one of the large base ports used by the Americans, because he could not get a van to transport his household effects. When the major in charge of the A.E.F. Motor Transport Depot near by—he was a reformed Indiana politician, by the way—heard of the predicament he loaned the marquis a five-ton army truck for the job. The old aristocrat was so delighted with this act of kindness that he made the trip on the truck itself. This led to a charming social relation between the French family and the officers of the port. The American has gone over the social top just as successfully as he has gone over the fighting top.

I know of no better way to sum up the spectacle of changing France than to quote what a keen-witted Frenchwoman said to me at Tours. Not in complaint but almost in pride she remarked: "France will never be the same France again. Just as Ypres will hence-

forth be Wipers so will Paree be Paris—pronounced in the forceful American way. We shall have electric bells and bathtubs everywhere, but the country will be the better for it.”

This evolution is a direct result of the coming of the American millions. Before the war there were exactly 40,000 Americans residing permanently in France. Our participation in the war will undoubtedly extend this list up to a hundred thousand. Many of our men will return to France as soon as they are mustered out. Some have already intermarried with the French; others are engaged to marry French girls; still others have hopes. Intermarriage reached the point where it was no uncommon experience to see in the papers advertisements of lawyers who specialized in arranging the legal details of Franco-American marriages. It all means that the two countries will or should understand each other as never before.

This understanding is not entirely born of kinship of the battle line. History shows that the allies of one year may and have become the foes of another. The greatest of all internationalizers is a common knowledge of language. This has always been the barrier in Franco-American trade, and now, thanks to the presence of millions of American fighting men in France, that barrier is removed.

The old language obstacle between America and France was very much like the channel obstacle between England and France. It was not Waterloo but the comparatively few miles of choppy sea that sep-

arate Dover and Calais, that prevented a closer affinity between these two great neighbors now joined in the brotherhood of victory over a common foe. A famous Frenchman whose name was almost a household word in England was once asked by a British diplomat when he had last visited London. He replied: "I have not been in England for fifteen years. If it were not for the channel, however, I should spend every week-end there." The inevitable construction of a tunnel under the English Channel will do more to cement the ties between England and France than a hundred years of diplomatic conversation. This, however, will be dealt with in a later article.

The ability with which the American soldier mastered the curves of the French language is one of the wonders of the war. Back in 1915 and 1916 when I spent some time with the British Army I used to marvel at the way Tommy and Jock got on with the French peasants. I frequently saw them seated at the fire-sides at night chatting away volubly with the old and the young, with whom they were great favorites. Despite the obvious *mêlée* of speech they seemed to understand each other. The same thing happened with the American. In one of my investigations in the Services of Supply of the A.E.F. I temporarily had a chauffeur who had been a fire-truck driver in an Ohio town who had been in France only six weeks. Until he struck the shores of the land of battle he probably never had heard a word of French. Yet he was able to ask directions for our journey, and understood everything

that was said to him. The fact that millions of Americans will have a working knowledge of French will be an immense asset to them in world reconstruction. French has been and always will be the language of diplomacy. In the same way it is likely to be—with the exception of money—the universal speech of business after the war. In any event it will be a strong competitor of English.

This bilingual performance operates both ways. Just as our men have secured a successful stranglehold on the French language so have the French made equal progress with English. With their eternal business instinct they were quick to realize that one first aid to quick commercial intercourse with the American soldier was ability to speak his language. The French were not so keen to learn English until after the American Army arrived in numbers and scattered itself throughout the country. It then became a sort of national passion. In dozens of French towns I have seen tradesmen poring at night over an Anglo-French dictionary. Typical of this state of mind is the fact that one of the best-known French newspapers, *Le Matin*, conducted a daily lesson in English for the benefit of its readers. It took the Frenchman who had had contact with the British troops a considerable time, however, to understand the difference between the English language and American slang. More than one of them has had recourse in that bromidic but always interesting sign: "English and American spoken here."

So wide has become the desire among the French to speak English that I heard a clever Parisienne say: "If I don't leave France soon I'll forget all the French I know." There was more truth than wit in the remark.

II

This more or less airy persiflage—illuminating as it may be in reflecting the face of changing France—is merely the prelude to the real thing. The important questions are: “How has the American Expeditionary Force permanently benefited France, and what will be its effect upon our future relations?” America went into the war for the sake of a great ideal but the inevitable and unsought by-product of that high participation will be something practical and permanent.

If you want to know how official France appraises the American influence ask any member of the cabinet and you will get full indorsement of all that I have written in this chapter and considerably more. Perhaps the most significant utterance on this subject was made to me by the one man in all France best qualified to speak. I refer to M. Clementel, the Minister of Commerce, who through this all-important post not only helped to mobilize French industry for the production of munitions of war but will have an equally important task in unifying it for the bloodless business battles of peace.

I went to see him in the Ministry, which occupies a fine old palace in the Rue de Grenelle on the left bank of the Seine. In a drawing-room which looked out on the park where fountains played I talked with a busy individual whose work only begins anew with the end of the war. Lithe, swarthy, nervous; with keen

black eyes—he speaks with an animation and a gesture that are typically French. Like Secretary Redfield he was a successful man of business affairs before he entered the Government.

I asked M. Clementel if he did not think that the Americans and their vast war undertakings would have a beneficial and stimulating effect on the development of French industry, and he replied without the slightest hesitation that it certainly would.

“Before the war,” he declared, “most of our business men, manufacturers and engineers, though possessing a very solid education and a thorough knowledge of their trade, worked in a very narrow circle. They gave little thought to big development; they were content with a limited income, handing down their business from father to son without making any drastic changes. The arrival of the Americans stirred them with enthusiasm. It has even galvanized them. Their vast enterprises have filled us with admiration. A port which in ordinary times would have required six years to build was finished by them in six months; a cold-storage plant generally requiring several years was constructed in a few weeks. It was precisely the same with the great repair and maintenance shops for army material and transport. All these facts have made a deep impression on my compatriots and will inevitably lead them to consider operations of the same kind and in the same way.”

I then questioned M. Clementel as to the influence on private industry that might be expected from American co-operation. He responded that a plan was under

consideration to develop close relations between American and French capital on one hand and between French and American workmen on the other. He said: "Industry must be created in France that will avoid the importation of manufactured products from America. In the same way industry must be established in America for the manufacture of the French products in order to avoid useless transportation."

M. Clementel then cited a number of instance. "In America," he continued, "the textile factories which were formerly owned by Germans and which have been taken over by the Government are being given to French groups for management. In line with this we are considering a plan for the formation of corporations whose capital will be half French and half American and which will exploit the potash beds in the Thann district." Nothing else that the minister said was quite so significant as this last remark. The development of the potash beds will be a vital blow at the one-time Germanic commercial authority which for years had one expression in the potash trust in which the Kaiser himself was principal partner. The whole trend of M. Clementel's talk was toward close economic coöperation between France and the United States.

So much for the official point of view. Let us now see what France's foremost Captain of Industry thinks of this all-important unity. I put the same questions to André Citroen that I addressed to the Minister of Commerce. No business man in France is better equipped—few are so well qualified—to speak of this

situation as Citroen. His career is a romance of self-made success worthy to rank with the best American examples. This Live Wire of France who is more American in temperament, resource and performance than any of his colleagues and who rose from humble manufacturer of gears to be the foremost Shell Master of his country, was producing, when I saw him in October, 1918, practically half of the whole big shell output of the country. He had not only enlarged his already colossal plant in Paris but had built and developed the great national munitions plant at Roanne, where among other things he constructed a model city for his thirty thousand employes.

"I believe," said M. Citroen, "that just as the American Army helped so nobly to save France during the war so can her army of engineers and other technical experts aid in the reconstruction of my country. I should personally welcome the acquisition of American engineers in my factory. I know and admire American industrial enterprise to such an extent that I am sure they would be an inspiration as well as a speeder-up to my own employees. Just as soon as possible I propose to send a delegation of my engineers to study the methods in the American industrial establishments. Thus America and France could have an exchange of industrial experts in the same way that American and French colleges have had and will continue to have an exchange of professors."

M. Citroen merely expressed the point of view of many outstanding industrial chieftains when he made the following statement:

“No one can doubt that the American Army will not only leave the impression of its great heroism and character but it will also stimulate French industry and enterprise to a tremendous extent. Take our railway transportation system, which was fairly competent before the war. The way the American Army Transportation Department galvanized traffic is not only a source of wonder to the average Frenchman but you may be sure that when reconstruction is finally in force he will follow the American example. I believe that in Paris or in Bordeaux we should construct a real American railway terminal something like the Grand Central and Pennsylvania Stations in New York City, which I regard as among the highest expressions of American constructive genius. They represent the last word in public comfort and convenience. France has never had any stations like these and our *voyageurs* who have been compelled to wait for trains in the large cities have really suffered great hardships. If such a model station were built it would not only open the eyes of France but it would lead to a whole new era of public improvements that could only contribute to the general comfort. When people are comfortable they are happy and therefore more efficient.”

Citroen, let me add, was the French pioneer in factory welfare. He established a complete dental laboratory in his Paris plant and made the periodical examination of the teeth of his twelve thousand employees obligatory. His latest welfare innovation is the establishment of a baby hospital for the children of his employees, and a canteen where they can pur-

chase anything from the proverbial paper of pins to a kitchen stove.

Citroen's after-the-war projects indicate the inevitable trend of European industrial events. I asked him what he would do with his vast shell factories when the guns no longer bark.

"That's all settled," replied this French combination of Schwab, Gary and a few other American dynamos of action. "I have already begun to make popular-priced automobiles, with the same speed of output that I have made shells. The commercial utility of the automobile was demonstrated long before the war. The war itself proved that without motor transport it would never have assumed its tremendous proportions. Henceforth, the motor, whether in France, England, North or South America must be a tremendous factor both in business life and in agriculture. It will be one of my aims to popularize the motor among the small business men of France and among the farmers. With peace one Frenchman will have to do the work of two or three, and the automobile will help him to do it."

"If you produce automobiles on the same relative scale of quantity output that you produce shells France will not be able to absorb the output," I remarked.

Quick as a flash came the reply: "If France cannot absorb all these motor cars we will make a market for them in South America and in South Africa. Indeed, with half a chance I would be perfectly willing to enter into competition with America in low-priced cars in America."

In this last sentence you get a hint of what is back of the minds of the far-seeing French manufacturers, whose views are practically the same as their British coworkers. It all means that when America begins to lubricate her machine for the after-the-war commercial struggle she will have to reckon with the enterprise and the resource of new trade rivals.

III

There is not the slightest doubt that American war construction in France will help considerably to change the economic map of Europe. Look into world-trade reconstruction and you see that adequate dock facilities plus accessible overland transport are the keys to the victories of peace. Up to the great war the port and dock facilities of France were hopelessly inadequate. Even in so important a city as Bordeaux there were less than half a dozen huge cranes to lift machinery from ship to railway car. A large American machinery firm in Paris had to move its heavy crates from ship board to freight car by hand power. The boxes were shoved along greased gangways. It took twenty men a whole day to load a single car. A self-propelled crane would have done it in an hour.

The American war effort has changed all this. We not only developed the ports but installed acres and acres of electric machinery ranging from one to thirty-ton cranes. We revolutionized the whole process of seaport operation. Let me illustrate with the concrete case of St. Nazaire, that famous little town where the first American Expeditionary Force landed and where the Stars and Stripes were first broken out over the soil of freedom. When our troops landed in June, 1917, only six ships of ten thousand tons each could be discharged in the two large lock basins there. To-day sixteen vessels of larger tonnage can unload at the same

time, thanks to the American construction, while near by we have built a pier that will accommodate sixteen more ships.

Despite this expansion only the surface has been scraped. St. Nazaire can be developed into a rival of Bremen. I say this not because of the dock possibilities but because St. Nazaire is at the mouth of the Loire River. Forty miles upstream is the ancient busy city of Nantes. Both sides of the river, which is navigable for sea-going ships, offer rare opportunities for an industrial development that could make this section of France a new world-productive center.

The one sure way for the United States to compete in finished products with Europe successfully after the war is to build branch factories in France and elsewhere, utilizing French labor and getting thereby the incalculable goodwill and low cost of output that attach to such a performance. If we are to set up this new overseas industrial empire I know of no better location for our factories than along the banks of this great river whose mouth has already known the galvanizing effect of American endeavor and where the very name of the United States is one to conjure with. It is half the trade battle.

Such an American-developed ocean gateway could have an enormous influence in checkmating Germany's after-the-war economic plans. For one thing it could be made into a port of entry for the economic conquest of the Mittel Europa which was one of the German trade dreams. The freight journey from St. Nazaire to Paris is an easier one than the journey from Havre

to Paris because it is more down grade. I use this comparison because before the war American firms shipped goods from the United States for Switzerland by way of Havre. The development of St. Nazaire would not only shorten this haul to a certain extent but give us a new and direct route into all the Central European states, where Germany will undoubtedly begin her outside commercial rehabilitation.

What is true of St. Nazaire is equally true of Bordeaux, which could be the port of entry and likewise a center of distribution for our inevitable trade with Italy, which country expects to have a considerable business intercourse with us henceforth. In Bordeaux, through a joint Franco-American operation, lies the opportunity to put a big dent into Hamburg. One reason why this German city attained such world-wide importance was because it was a free port. This means that any shipper could store immense quantities of his goods in the vast warehouses there and reship them at will to any point in Europe. These goods were admitted free of duty into the warehouses. They came under customs control only when they were reshipped into Germany. The man who wanted to ship his wares into Russia could do so without paying a mark of German customs. What was the result? It made Hamburg an international port, and in addition it gave German railways, German labor and German banks an immense amount of profitable business. Bordeaux or St. Nazaire could do likewise, and with the benefits of American war construction have a whole rebirth of authority and prosperity. In aiding France to over-

come the military aggression of Germany we have likewise aided her—and ourselves—to combat the inevitable trade aggression that will come with peace.

No American war aid easily convertible into an industrial asset for peace is more significant than the development of French hydro-electric power by our army engineers. The immense A.E.F. locomotive and car repair shops, salvage depots, laundries—all the vast machinery that we set in motion to feed and supply our troops—had to be driven. With a scarcity of fuel we were compelled to inaugurate what amounted to a campaign of education in water power which will not only revolutionize parts of France but be a tremendous weapon against the German.

To get the full meaning of this procedure you must know that among other things the great war was a war of coal. I once heard Lloyd George say: "Coal is life." He knew, just as every other person who touched the war knew, that fuel has been as precious as powder, and sometimes more so. The nation that can supply coal henceforth will have a tremendous bargaining asset.

Germany cunningly capitalized this European need of coal. It has been the club that she held menacingly over the head of the unhappy neutral dependent upon her for supplies. Holland presented one of the most conspicuous examples of this economic intimidation. The little diked kingdom obtained the greater part of her coal from the Rhine provinces. When the Allies seized the Dutch ships Germany cut off the Dutch coal supply and Dutch industry became impotent.

So too with Italy before the war. There the German scheme was even more astute. Germany built up and developed a great water-power system in Italy, first because it created a big market for German electric machinery and proved profitable for German capital generally; second, because the more dependent Italy became upon water power the more independent she also became of British coal. Water-power development played the German game both ways. The Swiss economic vassalage to Germany is likewise due to coal.

If through a great water-power development France can make herself absolutely independent of German fuel she will go a long way toward a complete freedom of industrial action. Strange as it may seem despite her immense available water power France has been conspicuously backward in hydro-electrics. One reason has been that the French engineer is a conservative person. This caution has extended to the *génie*—the army engineers—whose fogyism was the bane of Napoleon's life. It is a tradition in the French Army that Napoleon regularly discharged the chiefs of his engineering staffs every two weeks. Like the cat they always came back.

The army engineers who fought against the Germans these last few years, however, have caught the spirit of what intensive water-power development means. Their brilliant imaginations have seen its possibilities, and the net result is that the area of electric-power supply that the A.E.F. developed for its use in middle France will undoubtedly be widened so as to serve a large part of the country.

It is estimated that the available water power—minimum flow—in France is 4,600,000 horse power. The average flow is 9,200,000 horse power. This is greater than the maximum potential water power of Italy. France has only developed 1,456,000 horse power, or less than one-sixth of her white-coal asset. Most of the potential French water power is in the Alps and the Pyrenees, which means that the power would have to be transmitted over a considerable distance. To the French, who have hitherto not seen industry in especially large terms, the harnessing up of this power has seemed an impossible task.

Here is where the American opportunity comes in. In the United States it is no uncommon feat to transmit electric power hundreds of miles across mountains to serve territories as big as Switzerland. American experience proves beyond a doubt that it is practical to develop all the water power on a range of mountains in France and distribute it through half a dozen provinces. The operation simply needs American capital and American engineers. The spade work for this proposition has already been done, because the French, to use the phraseology of business, are "sold" on the practicability of water power. The A.E.F. has pointed the way; it is now up to Yankee financial enterprise to get busy and do the rest. France would welcome the aid, which would be good business for us at the same time.

All this American construction backed up and stimulated by the example of our own strenuous methods will not avail for complete rehabilitation if the French

themselves do not get busy. On this point there is no argument. France came back like a whirlwind after the great defeat of 1870-71, and then she stood alone. How much easier, then, will be her reconstruction after a war in which she is not only victorious but stands out as the heroine among the nations? What, then, are the native tools with which she will reconstruct?

We will begin with man power. The greatest asset of any people is its trained and productive population. With France this leads to the grim side of the picture, because she has lost 1,500,000 men killed and more than 500,000 disabled permanently. Thus nearly a third of the really vital man power of the nation is permanently out of commission. What will take its place?

First of all an equal number of women have been trained for both the industry of war and that of peace. A lathe remains a lathe and the woman who can operate one for the production of shells can also operate one for automobile parts or tools. These Frenchwomen, whose middle name is work, like their British sisters in industry, will not give up their job; nor will France want them to go back to household work with peace. These women will provide the backbone of the new French industrial offensive.

In the second place, thanks to men of enterprise like André Citroen, the whole mechanical map of France has been changed. The labor-saving device, which was more or less tabooed before the war because it interfered with the serene routine of French labor, has been part and parcel of the war productive machine. It

will remain so. In these labor-saving devices lies one big opening for American machinery, more especially automatics, for as far as shell production is concerned it has been a war of machinery.

Heretofore France has leaned heavily upon the German salesmen. It is no exaggeration to say that the bulk of French wine sold both in Germany and in Russia before the war was sold by German salesmen. For a number of years to come, however, the German traveling man will not disfigure the French landscape to any alarming extent. France is training a new school of salesmen who will succeed so far as possible the German exploiters. For this she will utilize her partly disabled men, who will not only be able to serve their country but will also provide a profitable means of livelihood at the same time.

Just as the war was epoch-making in its scope and result, so will its economic aftermath be equally revolutionary. No phase of it will be more remarkable than that which affects the holding of land in France. Under the code all French land is equally divided among the heirs upon the death of the owners. This is the reason why France is a nation of small farms. It was a source of wonder to the American agriculturalists who came to France with the A.E.F. to find the miracles that the French peasant could do with the section of soil that would be little more than a back yard in America. It has meant intensive farming of the highest sort, which has been carried on for years with the most primitive implements, mostly by hand power.

Two things will probably change this antiquated condition: One is a revision of these land laws so as to enable larger holdings; the other is the introduction of improved farming machinery. The farm tractor is inevitable in France. Several of the great French shell manufacturers have already arranged to produce them. In addition the whole new and altered attitude toward agriculture will mean that American farm machinery should have as great an opportunity here as it had in Russia before the war.

France will not lack the wherewithal to resume her industrial life. Though the Hun stripped the occupied communities of their machinery the larger fact is that there will be restitution for all this. Essen must renew Lille, Hamburg restore Douai, Munich repay Cambrai and Mannheim rebuild St. Quentin.

When the Hun ravaged these industrial centers he had other things in mind besides making French industry impotent and impressing his ruthlessness. It was German commercial propaganda executed with an ax instead of the usual smug and hypocritical smile and speech. He killed two birds with one stone. By stripping French factories and even smashing the embroidery frames in the homes of innocent civilians he knew that there would be restitution. He said to himself: "If we have to restore all this machinery we will use the German article, which will not only create a market for our commodities but create a continuous demand for new parts."

IV.

Do not get the idea that because France has been content to do her industrial job in her own peculiar way all these years she is not entirely up to date in many respects. For many years America has thought that she had exclusive rights to the trust idea. Examine into some of the syndicates in France and you find out that we have labored under a great delusion. The coffee business of France, for example, is as completely monopolized as was the petroleum industry in that day of undisputed Standard Oil sway. For years practically all the coffee sold in France has been roasted, ground and distributed by a small group of men who made the middleman and through him the consumer accept the article they saw fit to produce, and pay the price they dictated.

The same thing is true of the chocolate trust, which is even more closely controlled and which is dominated by M. Menier who exercises prerogatives no less despotic than those once regarded as the divine right of John D. Rockefeller. Likewise it may be well to speak of the bakery trust, which has an equal grip on the ovens of France. In these three close-knit syndicates you find one expression of French business coördination which, when linked against German, and for that matter any other competition, is bound to be a great asset after the war. So much for the old-line trust as we know it in America, which

was a monopoly in the interest of a private business.

France, however, has another and in many respects a much more dangerous kind of trust in the shape of what is known as a consortium, or a *comptoir d'achat*, as it is called in French. A consortium is a syndicate of French interests under government control. It is a product of the war and was conceived to control the importation of manufactured goods into France and to encourage manufacture at home. These consortiums extend now to a dozen branches of industry and constitute such a serious menace to American business interests after the war that the whole idea is well worth explaining in plain unsentimental terms.

The most illuminating example of the consortium is in machine tools. Prior to its organization the American machine-tool importer in France could order his goods direct from New York, Boston, Philadelphia, Bridgeport or wherever his manufacturer happened to be located. The order of the French purchaser passed through his hands only. The consortium, however, dictates that every order for machine tools placed in the United States must have its visé and be negotiated through its officials.

Here is where the rub comes in: The French Machine Tool Consortium is composed of French machine-tool builders and importers. They have the power to pass on every order for American tools. More than this, they conduct the whole fiscal transaction. In other words the machine-tool business of every American in France is placed absolutely at the mercy of his rivals, who form what is nothing less

than a miniature industrial autocracy and whose slogan is "France for the French." It is with this spirit that our after-the-war trade must reckon in many lines.

The whole effect of the machine-tool consortium upon the American agent in France was admirably summed up by a well-known New York business man in France who when asked to make a statement as to how he was affected by this organization said:

"We have been informed that if we wish to place any order in future with American firms for whom we are exclusive agents in this country we shall have to proceed as follows: First: Obtain an order from our customer made out in the name of the consortium, mentioning the name of the manufacturer and the tools he wishes to purchase. Half of the purchase money must be paid to the consortium. Second: The consortium, if it thinks advisable, transmits this order to the French High Commission in the United States. They may decide, however, to inform our client in France that he cannot have the tools he desires but that he can have other similar tools which can be purchased from a member of the consortium. Third: If the consortium permits us to fill the order that we have obtained it exacts a generous fee but leaves all the work of clearing and shipping the goods on arrival in France to us. In addition we are required to collect our commission from the American manufacturers ourselves.

"This system in a word practically excludes from business any American firm in France whose sole rea-

son for existence is to act as intermediary between American manufacturers and French buyers. In the long run it also means that any American manufacturer who has a representative in France other than one of the three French machine-tool importers who are members of the consortium will be excluded from doing business."

What is happening with machine tools is also happening with agricultural machinery, cotton goods, dye-stuffs and steel. It means that the French importers and manufacturers are setting up a machine for self-protection that is bound to be a serious obstacle to our future overseas-trade ambitions. It is a matter for rigid investigation and action by the Department of Commerce at Washington. If we are to have a great world trade our business must be backed up and protected by the Government. One reason why Germany piled up her one-time universal commercial authority was because the Foreign Office in Berlin was not only a partner in every enterprise but fought the Teutonic business battles everywhere.

The path of the consortium is all right during war, when control is the regular thing. The average business man anywhere will put up with all sorts of restrictions to help win the war. It is not in the nature of the French business man, however, to submit quietly to drastic government regulation when grave necessity is not the paramount issue and when his pocketbook is affected. The French manufacturer who will need tools in the future will want to buy them wherever he can lay hands on them.

I have explained the work of the consortium, first to shed a new light on certain French business methods, and second to show that in the midst of the comradeship of the firing line where French and American fought shoulder to shoulder against the common enemy the thrifty French business man established a bloodless fighting front on which the two Allies were on opposite sides.

One point in connection with the consortium should not be overlooked by American manufacturers. Every French group of this sort that has done business with Great Britain has had a much more satisfactory relationship than in a corresponding transaction with the United States. One reason, as I have frequently pointed out, is that British manufacturers mark their shipments so legibly and permanently that they can be easily identified when they arrive in France. For years our exporters with few exceptions have had a slap-dash way of marking boxes and bales for foreign countries and using flimsy paper tags when they should be using linen ones. Before the war half the American goods that got lost at French ports went astray simply because of bad marking. Though this seems a comparatively small matter it spells success or failure in dealing with foreign countries, and especially with foreign governments.

Here is a little story that will emphasize the price that we have paid in the past for this carelessness. The Paris representative of a large American machinery distributing concern in New York concluded a sale with a French manufacturer at Lyons involving

300,000 francs. The machinery was shipped in sections. What was supposed to be the complete outfit was delivered to the purchaser at his plant. When he set up the machines he discovered that a vitally necessary part for each one was missing. Quite rightly he refused to pay for the goods until they arrived.

The American agent in Paris personally went to Bordeaux to trace the missing parts. After a four days' hunt he located them in a box which had been marked in lead pencil. The rain had obliterated these marks, and the package reposed in an obscure corner and except for the agent's enterprise and determination would never have been found.

The institution of government control of industry is likely to continue in Europe long after peace. Governmental supervision has become the national habit and it will probably be as constructive in building up industry as it was in overthrowing the enemy. Thanks to the war various controls and especially those in raw materials will be first and distinct aids to economic reconstruction.

One of the many French war compensations of this kind is the development of the Inspection des Forges. This literal control of the forges of France, which began on a large scale as a pure war measure, will be one of the French bulwarks against the German machinery trusts after the war. Through it every machine shop in France has practically become federated under government supervision. This means that the French know down to the last ton of output just what every French shop can produce. In the present great

era of rehabilitation France will have her eye on every lathe and expects it to do its duty.

If the Inspection des Forges can be capitalized—as it undoubtedly will—it means the establishment of an agency that can readily do trade battle with the Allgemeine Electricische Gesellschaft—the “A.E.G.”—Germany’s electric machinery octopus which owned industrial Italy, dominated Belgium, had immense interests in Spain, Russia, Scandinavia and South America, and was reaching out to England when the war stopped its monopolistic game.

The operation of the Inspection des Forges has developed an industrial asset not to be despised. It lies in the mobilization of the small manufacturer, who like the small investor is one of the principal safeguards of any nation. At the Inspection des Forges is a card index of every establishment in France equipped with machinery. It ranges from the vast Paris establishments like André Citroen down to a little room on a side street in Lyons where an aged machinist works with a hammer. More than once during the war some obscure man—they are all specialists of some kind—has been able to produce a very delicate and equally essential metal part that saved the industrial day. These men will help to recoup the nation’s losses and to give her a new and permanent efficiency.

The hasty American must not run away with the idea that because we have built docks, installed cold-storage plants, laid down railways, and galvanized French creative effort generally that all the obligation

for this war activity rests with France. When you look at both sides of this matter you find that it is almost a fifty-fifty proposition. Just as France has learned many new tricks from us, so have we gained much out of the historic contact with her. In this matter history is merely repeating itself. The old civilizations invariably affected the new. The Crusaders, for example, taught the Saracens little; Spain learned from the Moors.

Thus while the American will leave his impress in France in the shape of a revitalized telephone system, many more bathtubs, enlarged power production and a speeded-up railway system he will take back home with him a greater skill in road making, a more scientific knowledge of forestry, and an appreciation of the art of living such as he has never had before.

In the midst of her war travail France gave striking evidence that she has originality and enterprise. I can illustrate what I mean with two illuminating incidents. In August, 1918, the fashionable dressmakers in Berlin in a final effort to show that Germany was still on the map, held what purported to be a fashion show in Zurich. Being German it was clumsy, drab and stolid.

Just as soon as the French modistes heard of this they organized a real French exhibition, transported it—gowns, manikins and all—to Zurich, and set up such a fascinating and bewildering array of chic loveliness that the recollection of the German show became a nightmare. In the plain vernacular this French outfit put it so completely over the German

aggregation that the few Swiss who had had the hardihood to order their frocks immediately changed their minds.

Far more expressive of French national hustle and the reborn spirit of the nation is the way the fourth great Government Loan was sold last October. In publicity and action the campaign slightly resembled our Liberty loan crusades. I could not hit upon a more fitting revelation of how the French learned to capitalize a great hour with spectacular effect.

The first three French Loans were nice amiable affairs. They were put out at inopportune times, when national depression followed reverses at the Front. The banks merely displayed perfunctory posters and put the proposition of buying up to patriotism, not always a good salesman and invariably needing some stimulation. Fortunately for the French Treasury the average French citizen knows the value and stability of his government and needs little education in this kind of security buying.

Along came the Fourth Loan and with it the Allied advance that smashed the German Army. The whole country was athrill with the great news of the inevitable defeat of the enemy. So the loan managers said: "We will launch this loan on the high tide of French success." They did so with flags flying, bands playing and every trapping of a circus.

The way they handled it in Paris was typical of the revived nation. First of all four or five hundred captured German cannon were brought down from the Front. They were parked in the great Place de la

Concorde. From the walls of the Tuileries Gardens scores of German aëroplanes looked down on the trophies while in the gardens themselves were the remnants of a great German Zeppelin. The Champs-Élysées was lined from almost end to end with German 77's. There were enough painted German Iron Crosses brooding over Paris those weeks to decorate a whole regiment. Interspersing this martial display were huge placards urging the French to buy government bonds. The issue was called the "Liberation Loan," and every Frenchman who bought these securities felt in his heart that it was more than a phrase. And it was.

In the midst of all this demonstration Lille was evacuated, and the statue of this gallant city, located in the very heart of Paris, became a shrine that served two purposes: One was to offer thanksgiving for deliverance from the invader, and the other was to create an inspired counter for the sale of national bonds. The Lille statue was heaped with flowers and draped with flags, yet the most conspicuous thing was a huge sign which read: "Subscriptions for government bonds received here." A still further evidence of French capitalization of this crowded hour was the arrival of a submarine in the Seine, which also became a highly emotional center of bond selling.

Every bank in Paris unfurled a loan poster to the breeze. They were marvels of art and persuasiveness. They hit the popular fancy because victory was in the air and its spirit was transferred to every man's pocketbook. I can give you no better idea of the

effectiveness of these French posters than to tell this incident: In the dark days of the war the French had an expression: "*On les aura*"; which means, "We'll get them." It meant the boches of course. One of the most dramatic of these Fourth Loan posters represented the advancing Allied Armies and on it was printed the words: "*On les a*"; which means, "We've got them." No wonder the loan got over big.

Any analysis of the new France must reckon with still another well-nigh priceless asset—the return of Alsace-Lorraine. In this restoration and its effect upon the future of the nation you get a typically French combination of the practical and the sentimental.

Nearly half a century ago Germany fastened her greedy grip on Alsace-Lorraine and in flagrant violation of the rights of nations dismembered France of two of her fairest provinces. Few who watched regretfully the passing into alien hands of Rhine Valley with its genial climate, rich cornfields, luscious vintages and superb Vosges Forests appreciated the value of mineral ore lying dormant beneath the Lorraine plateau awaiting only the energy of the miner and the alchemy of the metallurgist to convert it into gold sufficient to ensure the prosperity of the two provinces for many future decades.

Germany had no intention of letting it lie dormant. She wrested the ore from the conquered soil, and out of it built the superstructure of her industry. It formed the real basis of her amazing expansion which her stupid militarism has now wrecked. Oddly

enough, the bulk of the shot and shell that the boche rained down so mercilessly upon that plundered people came from their own earth.

The economic importance of the return of Alsace-Lorraine to France is enormous. Iron plays the most important rôle in the industrial life of a nation. Thus the restitution of Lorraine gives France a new lease on productivity at a time when raw material will be king. The statistics tell the whole story. In 1871, 364,000 tons represented the production of the annexed territory. In 1885 it had risen to 2,153,000 tons, with a still further increase to 4,222,000 tons in 1895. At the end of 1905 the Germans had extracted 11,968,000 tons, and the year before the outbreak of the war a total of more than 21,000,000 tons had been registered. French Lorraine—containing the famous Briey and Longwy basins—produces nearly 20,000,000 tons. These two regions form, with the exception of the Lake Superior district, the richest mining area in the whole world. In 1913, when 173,000,000 tons represented the world supply of iron ore, more than a quarter was contributed by Lorraine alone.

That Germany is fully alive to the advantage of the Lorraine iron fields is demonstrated by a secret petition formulated by the German metallurgists when Germany was at the height of her triumph and her hordes were menacing Paris. This petition maintained that for the successful conduct of future wars it was absolutely necessary for the Lorraine iron fields to be incorporated in the German Empire, and that it was only the seizure intact of the Briey and

Longwy basins which saved the German Army from capitulation after the first few months of the present war. The German forge masters suggested that France would be willing to exchange the Briey and Longwy basins for the industrial and mining districts then occupied by the German Army, which included Lille, Valenciennes, Maubeuge and Saint-Quentin. This arrogance never came to a show-down.

Everything is changed. France regenerate—the new France born of the war—emerges victorious. With her huge factories and immense munition plants no longer attuned to the Marsellaise their call for material for reconstruction will be answered by the richly dowered iron fields of Alsace-Lorraine.

Quite apart from a keen appreciation of economic and industrial advantages every Frenchman has a sentimental regard for Alsace-Lorraine that with its restoration will buck up the whole nation and speed up the process of rehabilitation. The people of those once-lost provinces themselves established the standard of high loyalty and unswerving devotion. In a little mountain church in French Lorraine about ten miles from Merecourt is a reproduction of the well-known Lorraine Cross offered to France in 1873 by the French patriots of the annexed territory. Broken in two it symbolized the sundered region. Typical of the faith of the people who now emerge from darkness into dawn was its prophetic inscription, "*La Croix de Lorraine est brisée mais ce n'est pas pour toujours*"; which means, "The Cross of Lorraine is broken but not forever."

To return to practical things: What is the American commercial opportunity in France?

Part of the answer has already been made in this chapter. France will welcome our industrial coöperation both with men and with money but—as the work of the consortium shows—there must not be any altruistic delusion. Self-preservation, which is the first law of patriotism, will likewise be the first rule of reconstruction, no less in France than in England. Competition between nations, which was one part of their orderly development, will now be a fierce struggle for existence. This means that France will undoubtedly rear a tariff wall. It will be a case of industrial safety first. Here, however, we can play at the same game. If America is wise she will meet every European effort at tariff by going one better.

The struggle to sell goods will be one of the supreme after-the-war activities. It is practically certain that every European nation will desire to pay for the goods it buys from us with its own merchandise, thus conserving its cash and maintaining the integrity of its exchange. This is one excellent reason why we should establish branch factories all over Europe, more especially in France and England.

We must sell American goods through American houses. This has a special application in France, where prior to the war the great bulk of our output was handled by foreign agents, mostly Germans, who invariably pushed their own goods, which were cheaper and more accessible than our own. The French agent will be the logical successor to the German and in his

present state of mind about the Boche he is not likely to have any philanthropic interest in the commodity of the country that ravaged his land.

At this point it is well for the American exporter to appreciate the great advantage of having a French salesman in France. Hundreds of thousands of Frenchmen have learned to speak English during the last four years. They are born salesmen; know the French temperament; have infinite patience, which is a great asset in the selling game.

At last we have set up adequate American banking facilities in France. This is of course due to the presence of the American Army. Practically all the leading New York trust companies have expanded their Paris branches into full-fledged banks, and most of them have branches throughout the country. With these institutions we can duplicate Germany's pre-war business methods. Her banks and her foreign trade marched hand in hand. As a matter of fact they were one and the same thing. This is why the German exporter could always give long credits. It points the way for us.

Just as the war created new conditions of demand and supply, so will peace set up the precedents that will guide the coming generations of commerce. During those four years of blood and terror merchandise was self-selling. Necessity knows neither choice nor haggling. That golden time for the profiteer has passed into the junk heap of the war along with millions of tons of useless gun metal. Henceforth busi-

ness will be a battle of wits. It will be a case of the survival of the fittest.

No man who has seen France in war can doubt her ability to come back. I watched her in the first throes of her immense ordeal; year after year I returned to find her patient and persevering through the long drama of her despair. I beheld her in the great hour of her deliverance. The serenity with which she met disaster was no less evidenced when she drank the full cup of triumph.

Thus in business as in battle the French will not know defeat.

III—*Holland and World Trade*

I

HOLLAND, in many respects, was the pivotal European neutral during the war. Her significance for world trade, certainly so far as Germany is concerned, is no less important in peace. She is one of the rocks upon which the discredited Fatherland seeks to rear the structure of her material regeneration.

Holland's war-time ordeal was unmatched by any other non-belligerent state. She presented such a remarkable picture of intimidation and distress that a résumé of that troubled time may well constitute the approach to a consideration of her economic prospects. Besides, there was a time, in the midst of the world conflict, when the United States and Holland were dangerously near the parting of the ways.

From the outbreak of hostilities and up to the moment the Armistice was signed, Holland was literally between the devil and the deep blue sea. On one side she rubbed shoulders with the Hun; on the other lay Belgium, a sister land, prostrate under the heel of that same relentless neighbor. Her coast was swept by a submarine-ridden sea that took cruel toll of her shipping and rendered her well-nigh inaccessible. The

crimson tides beat about her. Neither warring group wanted her in the titanic struggle. She had all the pinch and terror of war without participation in it.

Wherever you turned in the analysis of war-time Holland you uncovered some striking illustration of what Germany could do to the small and dependent nation. Holland, the neutral, was full sister in trouble to Belgium. One was tried by peace, the other by war.

So long as we shared the kinship of a common neutrality we looked upon Holland as one of the innocent bystanders of the war. It was only when we came to diplomatic grips with the Netherlands Government over the seizure of the Dutch ships in our ports in March, 1918, that there was any appreciable understanding of what the great conflict meant to Holland and the price she was paying for proximity and peace. As a matter of fact the shipping seizure was only an incident in Holland's turbulent war experience. It proved to be her costliest, though her pride was hurt more than her pocketbook. Meeting emergencies became the national Dutch habit. When Germany was not making drastic exactions or holding a grim threat over her unhappy head she faced new kinks in the Allied blockade or fresh complications brought about by the Kaiser's determination to bend the doughty little country to his will. The Dutch were "in Dutch" no matter which way the wind blew!

I went to Holland to find out. It was easier said than done. No sea journey those latter war days was more fraught with peril. To go to Holland meant to

run a gauntlet that bristled with death. The trips were few and far between. On the way over you wondered if you would get there alive. As soon as you arrived you felt a kindred concern over the possibility of getting back to your base without an involuntary bath and a whole skin—and I was no novice at mine and submarine dodging. But compensation lay at the end of that grim lane across the North Sea.

As I looked again upon that familiar land of dike, canal and windmill and once more caught the hum and reek of Amsterdam and Rotterdam there came back vividly to my mind the last visit I had made to Holland. It was the summer of 1913 and I had come straight from Berlin. On the friendly frontier the only jarring note was an irascible and punctilious customs officer. At the Amstel Hotel in Amsterdam I encountered Andrew Carnegie, who had come to dedicate the Peace Palace. The little man beamed with joy, for one of his great hopes was about to be realized.

The next day the towering mass of red brick and stone, reared by his millions to an iridescent dream that the world would sheath the sword, was consecrated with much elaborate speech and display of uniform. The Kaiser's envoys stood side by side with British, French, Italian and Belgian delegates. America's name was magic. Peace was on every tongue. Its imposing throne dominated the landscape of The Hague, the cynosure of all eyes—text of every leading editorial. Such was the prelude to the mighty disillusionment.

I went back to a Holland that was the gateway to a world at war. The Peace Palace was locked, and an oppressive silence hung about it. An architectural joke had become a universal jest. Those military envoys so gay with gold and glitter who had drunk the toast of peace faced each other—khaki-clad—in trench and field; that iridescent dream of peace had become a frightful nightmare; news of battle dominated the newspapers, the frontier between Holland and Germany bristled with bayonets and was a continuous line of electrically charged barbed wire.

America was a belligerent, and because of the seizure of the shipping was the butt of bitter attack. To cap the irony the tiny country, the name of whose capital city had become synonymous with universal arbitration, was a cat's-paw between two great groups of warring nations locked in a life-and-death struggle. No wonder I thought of that last visit.

The first gun of the war was the signal for the launching of a peaceful but none the less powerful German offensive in Holland, which had for one of its objects the cornering of all available foodstuffs, raw and semifinished materials—indeed anything that money or cunning could annex. The Dutch are not philanthropists; they had a perfect right to sell what they produced, and the traffic with Germany began. The Germans had said with the finality of prophets that the war would soon be over, and the Dutch believed it. Food and supplies poured over the frontier, and the era of the profiteer began.

Holland like Denmark decreed that half her sur-

plus be given to Germany and half to England. At first this was fairly practicable and reasonable. Just as soon as the submarine became active sea transport got difficult. But even before this emergency Germany began to get the bulk of supplies. One of the chief offenders was the farmer, who lived in daily fear of the German and who wanted those friendly chalk marks put on his front door in the event of a Hun invasion. The Germans always indicate immunity for the native by writing the words *gute Leute*—good people—on door or wall. Openly or secretly the purveying to Germany went on. Immense food stocks, piled up by the thrifty Dutch against the day of need, melted away. No one thought of the morrow. The present teemed with riches. America was still a fellow neutral, the Dutch merchant fleet roamed the seas, and there was the easy confidence that whatever emergency rose Uncle Sam was there to lend a helping hand. Holland boomed with business, yet unconsciously she was sowing the wind.

The British searching of ships began, and Kirkwall became a harbor of inquiry that teemed with neutral vessels. Scores were hung up in prize-court investigations, and the flow of merchandise and material from America to Holland was checked. A great fear rose in Holland, that her whole overseas commerce would come to a standstill. She needed merchandise for her legitimate business at home; the mass of it now came from abroad. What was to be done to save her trade from stagnation?

Then, and as a commercial child of war necessity,

was born the Netherlands Overseas Trust, or the "N.O.T.," as it is better known. It was one of the most remarkable—if not the most remarkable—business organizations that the war produced, and had a vast interest for the American merchant concerned with the technic of trade. The idea originated with a notable group of Dutch business men, including C. J. K. van Aalst, who was head of the trust, A. G. Kröller, who was Holland's foremost captain of capital, and Joost von Vollenhoven, a dominating figure in the Netherlands Bank.

Briefly stated the N.O.T. was a joint stock company formed to receive in trust and distribute all merchandise and materials imported into Holland. It did no business "on its own," but acted as a clearing house or middleman between the overseas exporter and the Dutch importer. Its function was to give foreign governments an adequate guaranty that all goods received in Holland would not reach the enemy directly or indirectly, and to see that this obligation was fulfilled down to the ultimate consumer. In other words it was the policeman patrolling the contraband beat—and he did not sleep.

Until we declared war on Germany Dutch vessels enjoyed unrestricted coaling facilities in American ports. Now everything was changed. They were in the harbors of a country at war and could obtain coal only under war conditions. When they sought bunker coal they were informed that it would be forthcoming if they agreed to carry back only enough foodstuffs and materials necessary for Holland's normal require-

ments. America did not intend to facilitate the purveying to Germany through bunkering. At the same time Holland was asked to produce statistics that would show her food stocks and her requirements. The American Government further stated that it would facilitate the purchase and shipment of all needful commodities—in other words, make a normal ration for Holland possible.

A long and tiresome series of negotiations followed. Dutch commissions sat in Washington and London. Every effort was made by the Allied Governments to bring Holland to some definite decision. Meanwhile Dutch ships accumulated in American and other Allied ports. Holland's delay was not so much due to her own indecision as to the fact that Germany, pursuing her usual bulldozing tactics, held the threat of the Mailed Fist over her head. Finally, and acting under the law of angary, which freely translated means the law of necessity and which enables belligerents to employ neutral vessels in their waters, all Dutch ships in Allied harbors were requisitioned by the Associated Governments. By the terms of the seizure all vessels were to be returned to their owners at the end of the war or as soon after as possible.

Holland rose up in her wrath. The law of angary became the law of angry! Some of the Dutch regarded the seizure as an act of war. The Germans cunningly fed these fires of indignation. As a matter of fact the shipping seizure was an extremely profitable and business-like procedure for Holland because it put idle holds out to work with a guarantee of

indemnity for every loss. The one hardship invoked was a scarcity of food in the Netherlands which sent prices soaring and which made the country regret the haste with which it had poured its surplus foodstuffs into Germany during the early period of the war.

With the signing of the Armistice Holland's food pinch relaxed; America's granaries and cold-storage warehouses emptied their products upon the docks of Rotterdam. The one ill-wind that the sheathing of the sword brought to Queen Wilhelmina's domain was the precipitate advent of William Hohenzollern and his equally fugitive son the late Crown Prince within her borders. All the horrors of war did not end with the defeat of Germany.

Throughout the war Germany realized the immense strategic value that Holland would have for her as soon as she could turn to reconstruction. Unlike Switzerland, Holland is a seaport with a great merchant marine. Germany knew that a justly outraged enemy would demand "ton for ton" for the ruthless slaughter of Allied ships during the four years of the supreme struggle. Germany also realized that, for some time at least, there would be a boycott against her goods among the people against whom she had waged such relentless and unfeeling war. This meant that she must have friendly markets in which to dispose the merchandise stored up during the conflict and likewise the goods that would be turned out with feverish speed in the effort to recoup her broken commercial fortunes.

The net result was that she used merchandise as

propaganda in Holland throughout the war. She did this at great sacrifice to her consumers at home. The ruling passion for world trade was strong even in the midst of a cataclysm that threatened her imperial existence. The whole story of Germany's war-time commercial campaign in Holland, therefore, has a supreme interest for the American exporter for the simple reason that what happened in Holland in war is being duplicated to-day in every other neutral country.

You cannot comprehend the German economic offensive without first analyzing the Dutch business man. The untraveled American looks upon the Dutchman as a stolid, amiable person, wedded to his pipe, clicking about in his wooden shoes, and with his horizon bounded by the canal that flows past his door. This picture is remote from the truth, so far as commercial leadership is concerned. The Dutch business mind is one of the keenest in the world. Likewise the Dutch trade vision—like those Dutch fleets of other days—sweeps the seven seas. The flag of the Netherlands is planted by right of discovery and conquest in some of the richest colonies of the East; her money is employed by the millions in American, Russian and British securities. Holland has always adventured. Berlin and Vienna never reached an international financial position comparable with that of Amsterdam, while Rotterdam in normal times is the rival of Hamburg and Bremen as a world port. Hence the importance of the Dutch as economic factors.

Not even the French exceed the Dutch in thrift and

shrewdness. From royal household to peasant hut the watchword is "Be practical." An American diplomat in Holland told me of the characteristic contrast that he found when he went to pay his respects to the Queen Mother. She received in a stately room in her palace, hung with rich draperies and crowded with works of art. Yet in one corner stood a big ugly stove, and on top a teakettle purred and steamed. The lady was determined to be cozy.

One night during my last visit to Holland I dined with some Americans at a restaurant at Scheveningen, the fashionable suburb of The Hague. We drove out, but the only Dutchman present—one of the richest men in Holland—rode out on his bicycle with the tails of his evening coat flapping in the breeze. When someone asked him why he had chosen such a humble steed he replied, "I cannot get any petrol for my motor car, I don't like the smelly tram, so I used my wheel." He had an automobile that was not working and he was determined not to waste money on any other kind of transportation. His was the typical state of mind.

The Dutchman knows how to drive a good bargain. You are not long in Holland before you find out the truth of Canning's famous epigram:

In matters of commerce the fault of the Dutch
Is giving too little and asking too much.

II

The moment you dug into the German business game in Holland you uncovered German commercial cunning in its favorite rôle of substitution. Indeed substitution is almost synonymous with the name of German trade abroad. In the Netherlands, however, it has gone the limit. One reason is that before the war a great many standard advertised articles such as soaps and razors from England and America were used there. With the setting up of the blockade the import of much of this merchandise ceased. The Dutch shopkeepers had to have it because it was in demand, and the Germans proceeded to supply it. Their methods were as brazen as they were picturesque. Here are some side lights on the traffic:

A certain dental preparation from America had attained considerable vogue in Holland. When the supply gave out the Germans made a very bad imitation, packed it in the same sort of tube as the original, gave it a name that to the Dutchman looked like the Yankee trade-mark, and stamped on the label the name of a fictitious maker.

To try out the system I asked for a tube of the original stuff in an Amsterdam shop, whereupon the clerk said, "I am sorry we have not got what you want. We are just out of it, but here is something from America made by the same firm and just as good." Then he offered the German substitute.

Take soap. Before the war a large amount of British and American soap was used in Holland. The imported article gradually faded away from the shop shelves. Once more the German came to the rescue. It happened that one of these soaps had been extensively advertised. The German imitators prepared and sold a cake that in shape, name, wrapper and carton perfectly resembled the original article. To make the fake complete they printed on the wrapper the precise wording in English—including the catch advertising line of the soap—that appeared on the original cover. In the great majority of instances it was accepted by the purchaser as the real thing. He discovered that he had been “done in” only when he began to test its much-vaunted lathering qualities.

The cleverest piece of substitution, however, that came to my knowledge in Holland relates to the blades of one of the best-known American safety razors, which has enjoyed an immense sale on the Continent. Its name is almost as familiar in Holland as it is in Illinois. With the clamping down of the blockade the supply of genuine blades was cut off for some neutral countries, especially Holland. Thousands of Dutchmen had these razors, but they ran out of blades. Again the German found a way to meet their requirements, this time in a fashion that reveals imitation at its best—or I should say at its worst.

At first glance you cannot tell the blades apart. In size, identification marks, edge—in fact in every detail they seem to be identical. On close examination

you find that the German imitation is made of inferior metal, that it is not cut so true as the American, and that the numbering and lettering are slightly different. Both have the words U.S.A. Patent. The German, however, has a different patent number. It also bears the letters D.R.P.—which stand for Deutsche Reich Patent, Royal German Patent—and a spurious patent number that looks like the real American number. Likewise it is stamped Bté France—patented in France.

Even more ingenious is the wrapper, both on the blade and the little box, which holds the usual lot of a dozen blades. On the original wrapper and box is the picture of a man's head. The German imitation is an exact facsimile—picture and all—of the American and Canadian package, except that it gives the countenance a distinct German cast. He does not appear to like the advertising he is getting, because he scowls in the lithograph. The one concession that the German fakers have made to decency is that they have omitted the words Made in U.S.A. from the wrapper and box.

I took the precaution to show the blades and wrappers to the London agent of the razor company, and she at once pronounced them clever imitations. In fact no genuine blades have been shipped into Holland for more than two years.

The Germans did not put their imitations on the market with their usual flair of saving the trade day. Knowing the penalties they were incurring, they planted them at first. They advertised in a few news-

papers that some of the blades were available. I found upon investigation that the articles were manufactured at Solingen, which is the German Sheffield, and distributed from Oldenzaal, a small town on the Dutch-German frontier. This explained the whole business. No further inquiry was necessary.

Run the roster of German substitution in Holland and you uncover choice "English" sauce that was mixed in Stuttgart; imported "Turkish" cigarettes rolled in Hamburg; "American" typewriter ribbons made in Frankfort; and so on down the line.

Behind all this clever imitation is a big idea: By making these substitutes for the real American and British articles inferior in quality and therefore unsatisfactory to the consumer the Germans expect to break down the faith in the original products. It will enable them to push their own goods, which will be cheaper in price. In the event of any prejudice against German goods, which is unlikely in Holland, they only need to employ the printing press, turn out facsimile labels or stamp their wares "Made in Holland."

But traffic in imitations is only a small part of the German economic penetration in Holland. In spite of the war a big business was carried on in genuine commodities. This discloses another kind of Teutonic jugglery. Let me illustrate with bicycles.

More bicycles are used in Holland per capita than in any other country in the world. It is safe to say that one million machines, or one for every six inhabitants, are owned there. Women shop, go to church, pay their calls on bicycles. No Dutch household is

complete without one. It is said that one reason for the widespread sobriety in Holland is that the men must stay sober in order to remain on their wheels. Most of the paths border on the canals and the slightest slip plunges the rider into slimy water. Be that as it may, the main fact is that, being the land of bicycles, it needs an immense amount of bicycle accessories.

Before the war many British and some American wheels were used in Holland. During the war Germany did her utmost to capture that trade. A concrete example will show how the business was obtained and also nailed down for the future. A bicycle dealer in Amsterdam, unable to get rims from England, sought a German dealer.

"Yes," replied the German; "I can get you a thousand rims, but you must sign a contract with me to use only German rims and German wheels after the war."

The Dutchman had to have the rims or shut up shop, and he signed the contract. It was a common occurrence.

Here is another case that shows the German inroads into Anglo-Saxon trade. An Englishman living at The Hague wanted to buy some toys for his children. At the shop he asked for British-made goods.

"I have a few British dolls," said the proprietor; "but a fine line of German toys."

Then he explained: "If I want toys from England I have to get them through the Netherlands Overseas Trust, which requires a deposit of money,

on which I lose interest; a delay of many months, with the chance that I cannot get the goods at all. On the other hand a postal card to Germany brings what I want in a week."

A serious situation developed with films. A certain American camera is almost as well-known in Holland as it is in the States. Like the safety razor that I described, it is a staple. The Dutch own thousands of these cameras and they need large quantities of roll film. When the exports of films from America ceased the Germans saw a great chance to exploit their wares. Before the war they were content to leave this branch to the Americans. Now they launched a whole new industry in roll film and flooded the market. All the film comes from the well-known Actien Gesellschaft Für Anilin—the great German dye trust known as the "Agfa." The Germans have also built up a new trade in cameras, in which they have imitated all the well-known American makes in everything but efficiency and cheapness.

The irony of the film situation is that the American company spent a fortune popularizing amateur photography in Holland, and now the Germans get the benefit of that expensive educational campaign.

While I was at The Hague the agent of a leading American maker of cameras and supplies went to see one of his largest customers, who asked: "Would you like to see my stock?"

"Yes," was the reply.

He was shown a large wareroom packed to the ceiling with German cameras and film packages.

"Do you blame me?" he asked.

The American was bound to admit that he could not.

Then the Dutchman continued: "If I had depended upon the Allies for a stock I should be a pauper. I have a big business; I must keep it going. After the war I must, in honor bound, help the people who help me now."

To give you some idea of how the Germans are making hay in the film business let me quote some prices. The cost of roll film for a certain small American camera in Holland was fifty cents in Dutch money; the German film to-day of the same type costs a dollar and five cents. American cinema film—which the Germans are now making in large quantities—was twenty-four cents a meter; the German brand brings sixty cents.

This leads naturally to the operations of the huge German film trust, whose activities in Holland are full of significance for America and England. In 1917 all the leading German film-producing companies such as the Decla, the Eiko and the Oliver concerns—they produce and distribute the principal pictures and topical reviews—were merged into a huge company. The Agfa, makers of raw film, were also tied up in the enterprise. Thus manufacturer, producer and distributor were allied. As usual with German big business, the Government came across with a fat subsidy and became a partner.

The trust at once started an intensive campaign to corner the exhibition-film business in all neutral Euro-

pean countries. A special drive was made in Holland. The methods are not unfamiliar to persons who have studied the operations of certain monopolies. The main purpose has been to flood these neutrals with complete programs—comedy, tragedy, topical reviews—thus preventing the theaters from using any other films. Since few films except propaganda pictures found their way into Holland during the war from the Allied countries, there was an excellent opening for the young giant. The trust is also leasing and operating its own theaters, including some in Holland.

The trust offered films at a low price, but on condition that the exhibitor use only its product after the war. If he would not accede to these harsh terms he was compelled, in the great majority of cases, to close his house. Happily a British company has entered Holland for the express purpose of combating the German octopus.

Germany needs powerful banking connections to bulwark her ramified commercial system in Holland. Credit is the backbone of business. In every country therefore she has at least one outstanding financial stronghold. Invariably it is the principal agent of that vast and sometime sinister institution, the Deutsche Bank of Berlin, citadel and pay-master of the German worldwide economic penetration. To camouflage this stewardship it frequently happens that some unimportant German bank sets up a dummy branch in a neutral land. But it is the Deutsche Bank that exerts the influence, always operating through some well-known local concern.

Take the other side of the picture, which is the Dutch investment link with America. When you realize that at one time Holland had nearly \$50,000,000 in United States Steel Common alone, you get some idea of the way her money has been put into our securities. Glance at the financial page of any Dutch newspaper to-day and you will find at least a hundred "Yankees" quoted.

The Dutchman is a born speculator. As one Dutchman expressed it to me, "We Dutch like to take a financial chance with music accompaniment." By "music" he meant the thrill and hazard of the ticker. A Hollander will sell anything that he possesses, except his family, on the chance of buying it back again at a lower price.

This accounts for the fact that his money has wandered so far afield. Holland has loaned money all the way from China to Peru. She has millions in Chinese and Japanese loans, in the Dutch East Indies, and in most of the Central and South American states. Her holdings in Russia, to her present sorrow, have been larger than in any other country with the possible exception of the United States. More than sixty Russian loans are held in Holland.

Our chief interest, however, is the American end. More than two hundred of our stocks and bonds are listed in Amsterdam. It is customary on the Amsterdam Bourse to deal in bearer shares. Dutch holders of American railway and industrial securities therefore receive their stock in the name of one of various administrative officers, who transfer the stocks dealt

in on the exchange to their names and then issue their own certificates "to bearer." This plan protects the Dutch holders against forged certificates, and makes trading on the Bourse simple by substituting a local transfer office for the home office of the company. It also provides a place in Amsterdam where dividends may be promptly collected.

Analyze the Dutch investments in America and you find that they have made some real "killings." In the sixties, for instance, Holland bought Chicago & Northwestern seven per cent bonds at sixty-five. She likewise bought Chicago, Milwaukee & St. Paul and Northern Pacific round twenty-five. She was also a large buyer of Union Pacific and Santa Fé shares after their re-organization and when they were quoted below twenty-five. Still more fortunate was the purchase by many Dutchmen of Steel Common when it was down to eighteen. Thus huge fortunes have been made on "Americans" at various times. On the other hand, many Dutchmen have bought Yankee lemons.

You can never tell the length of a Dutchman's purse by his personal appearance. I am reminded of this by an incident that happened one day at Amsterdam. I was going to lunch with the owner of one of the largest Dutch newspapers, himself a heavy investor in American securities. Pointing to a rather shabby-looking man, he said: "That man owns more United States Steel Common than almost any other individual in Holland."

Then he made the following illuminating statement: "You seldom see a Hollander wear a diamond shirt

stud; in fact you nowhere find a less ostentatious or flashy people than ours. Showiness is not a national fault. On the contrary, we equal the Scotch in sobriety and lean toward the Oriental instinct for hoarding. Most Dutchmen are better off than you would suppose from their looks, and when they die their heirs when dividing the estate are more likely to be agreeably surprised than the reverse."

III

Holland has one financial link with America which deserves a little chapter all its own, first because of the economic importance of the bond, and second by reason of the dominating personality through which it is expressed. I refer to petroleum and its Dutch king, Henry W. A. Deterding, who by common consent and with one possible exception ranks first in the Netherlands gilded gallery.

To the average American this is an unknown name, but down in Wall Street and on the stock exchanges of London, Paris, Chicago, San Francisco, Petrograd and elsewhere it has a sort of magic glamor. Likewise in that towering temple of commerce at Twenty-six Broadway in New York, where the Standard Oil Company holds forth, it is feared and respected, for Deterding is the only man who has fought that company to a standstill and brought it to terms. His story is as fascinating as any romance of self-made American millions.

Deterding is the son of an obscure Amsterdam sea captain. Four generations of his forbears ranged the seas, but he was destined for trade. He started as a messenger in a local bank and worked his way to a chief clerkship. At twenty-two, when he saw no further advancement in sight, he went to Java in the service of the Netherlands Trading Society. At once he showed such marked executive and organizing abil-

ity that in a year he had made himself conspicuous. "Deterding has a great future," became the familiar remark.

Opportunity now knocked at the young man's door and he was ready. Early in the nineties August Kessler—half German and half Dutch—incorporated at The Hague The Royal Dutch Company for the working of petroleum wells in Netherlands India. This is the concern now universally known as the Royal Dutch. Its original capital was only \$500,000. Yet from that modest beginning has developed the mighty world-wide corporation bulwarked by billions which contests with the Standard Oil for the petroleum stewardship.

Kessler had a big vision, for he saw the possibilities of a great native oil development. He set up his headquarters at Batavia. In casting about for a bright young man to help him he heard of Deterding and engaged him as inspector. Deterding at once displayed an uncanny instinct for the oil business. He knew just where to drive a well or set up an installation. When Kessler died, in 1896, the youthful inspector succeeded him as general manager. At that time the Standard Oil Company controlled the oil trade in China and the greater part of the Far East. With limited means and equally limited facilities Deterding began to contest that supremacy, and succeeded.

Gradually the Royal Dutch developed in scope, wealth and power. The oil conquest of the Dutch East Indies complete, Deterding turned to Russia and Roumania. But he labored under the handicap of in-

adequate transport, so vitally necessary in the petroleum trade. Then he achieved a master stroke by forming a union with the Shell Transport and Trading Company, of London. This concern has a picturesque story. It was founded by Marcus Samuel—now Sir Marcus Samuel, Baronet—who began as a humble oil dealer in London. His father was a dealer in Japanese curios, mainly shells, in East London. Marcus had the large outlook of his race. He perceived that there was a big profit in transporting oil from the Near East in competition with the Standard, who enjoyed what amounted to a monopoly on the business. He started the Shell Transport Company, named sentimentally after the chief article in which his father traded, and equipped a fleet which now became an annex of the Deterding interests. About the same time Deterding made an alliance with the Rothschilds and took over the Asiatic Petroleum Company. The son of the Amsterdam sea captain was now a mighty factor to be reckoned with, and a battle royal with the Standard started.

There is no space here to tell the whole story of that struggle, much as I would like to do so. The German chapter, however, will illustrate the Deterding method. Up to the first decade of the twentieth century the Standard had the German oil trade bottled up. It sold about 80,000 tons of benzine there a year, which was a big item for those days. Deterding determined to get some of that business. He went to Germany, looked over the field and decided to set up a plant at Düsseldorf. Here he had the Rhine as a

waterway, which was an important item. Then he picked out a live German and asked him to sell oil.

"But the Standard has all the contracts," was his immediate reply.

"Then it is your job to get some of them," murmured Deterding. "Make contracts at any price."

The German followed instructions and disposed of a carload of oil in a short time. The German dealers swallowed the price bait. Before long the Royal Dutch had cut so deeply into the Standard's German business that they were glad to make an agreement to divide the business.

The same procedure happened in China, but only after a bitter price war. Everywhere Deterding battled with the Standard on its own ground and got more than a foothold. Consolidation—that mother of trusts—became his passion, and he drew round him a group of concerns whose capitalization reaches many hundreds of millions. The Royal Dutch-Shell became the parent or holding company, the Batavia Petroleum Company the producing end, the Anglo-Saxon Oil Company the shipping agency and the Asiatic Oil Company the distributing medium. Such is the line-up of the European and Eastern machine.

Deterding now reached out for America. In turn Mexico, Venezuela, California and Oklahoma came into his oil domain. In all these places he organized companies, put down wells, built pipe lines and set up shop generally. To-day the sun never sets upon his business. He is in truth the Dutch John D. Rockefeller. In manner he resembles the late Henry H.

Rogers, who could have a big hearty way with him when he chose.

Deterding rules his realm from London, where I have seen him in action and in repose. He sits at a flat-topped, fan-shaped desk in a modest room in the rear of a fine building in "The City." At work he is a dynamo of energy reminiscent of E. H. Harriman on a busy day. From his office radiate private wires that reach everywhere. This plump, animated man with keen black eyes and white hair, who, like most Dutchmen, speaks English perfectly, knows what is happening throughout his far-flung empire. With him knowledge is power.

Analyze his methods and you discover that they are exactly the opposite of those of the Standard Oil Company, that flourished before publicity applied its probe. He explained them to me one night after dinner as he sat smoking a fat black cigar and blowing rings into the air.

"My theory in building up the Royal Dutch," he said, "has been to create good-will. My motto is Live and let live! To crush a rival is to make an enemy; to buy out a competitor at a cheap price is like hiring a good man at a small wage. It is bad business, because it creates discontent. If consolidation is necessary, make it worth while for the concern you need. It then becomes a real partner."

Such is the creed of the Dutch Cræsus. His only rival is A. G. Kröller, who exerts the same power at home that the oil king does abroad. He, too, is one of the self-made, for he is the son of a carpenter of

Haarlem. He has the conspicuous distinction of being the only member of the Dutch financial autocracy who did not get his start in the East Indies. He started as a clerk in the great shipowning and merchandising house of Wm. H. Müller & Co., whose interests reach from Berlin to Buenos Aires; married the daughter of the head of the house, and is now in supreme command. He represents what a combination of the beef trust, the International Mercantile Marine, the Bethlehem Steel Company and a firm like W. R. Grace & Co. would mean in the United States. He has represented the German Government in practically every big business deal that it has made in Holland. He owns *The Fatherland*, which is the leading pro-German organ. Through him the Hamburg-American line sold recently its immense holdings in the Holland-American line, first because it needed the money and second because without German taint the last-named company will be useful to Germany after the war.

I could continue this list of Dutch captains of capital for a good while, and tell of men like C. J. K. Van Aalst, head of the Netherlands Overseas Trust, whose real job is managing director of the vast *Nederlandsche Handel Maatschappij*—the Netherlands Trading Society—in which most of his colleagues served their apprenticeship; J. T. Cremer, the Marshall Field-James Stillman of Holland, who helped to build up that society, and now Dutch Minister to the United States; H. Colijn, head of the Batavia Oil

Company and the mate of Deterding in prestige and fortune; and all the rest.

What is the American commercial opportunity in Holland? When all is said and done this is the really important matter. Before we take a look into the future we must glance at the past. You find that, as in France, Spain and other countries where we overlooked big business chances, we intrusted our affairs to the hands of agents who were either German by birth or pro-German in tendency. Whenever possible they diverted trade to the Fatherland.

In the second place we had no direct cable connections with Holland. Before the war all overseas communication between the United States and the Netherlands came by way of Emden or London. In either case every American trade secret filtered through the agents of our competitors. The Emden route was nearer and cheaper, and this means that the bulk of it passed under German scrutiny.

Another handicap was the fact that, like England, we had no bank in Holland. We had to operate, through German institutions or banks in London, and in terms of the mark or the pound sterling. Already England has set about to rectify this mistake. Her financial outposts in Spain will inevitably be followed by similar enterprises in the Netherlands.

All this means that if America is to hold her own in Holland she must have a direct cable. American trade representatives, and, if possible, her own bank. The wide holdings of our securities by the Dutch would alone justify the latter step.

The Dutch are alive to their post-war opportunities. Through the influence of M. W. F. Treub, Minister of Finance, a new economic party has been created to organize and conserve the business of the country. It means an era of economic statesmanship. The Netherlands Export Society, formed to equalize war profits and try to put some check on excessive trading with the Germans, is another evidence of this growing appreciation. Still a third is the lately enacted corporation law which prohibits aliens from holding preferred stock in Dutch corporations. This is a direct blow at German control.

Holland realizes that with her colonial possessions she can play an important part in the fierce struggle for raw materials, which will be the vital phase of the war after the war. These colonies produce tea, coffee, rubber, sugar, copra, quinine and oil. With such products she can dicker for coal, steel and machinery. Thus the Dutch East Indies could become a sort of economic complement to the United States. The shipping seizure led to direct communication between Java and the United States. It will only need speeding up with peace.

IV—*Switzerland the Buffer State*

I

ONE afternoon just before the armistice was signed I sat in the tea-room of a well-known hotel at Geneva that did not need the influx of wartime spies, agents and propagandists to make it a notorious nest of intrigue. It was a babel of tongues no less conflicting than the interests represented. My companion was an Englishman, long a resident of Switzerland, who knew the diplomatic ropes as well as any person in the country. We had been talking about Germany after the war.

Suddenly he turned and said: "Within a year after the Peace Treaty is signed there will be at least five million new Swiss citizens in Europe."

"What do you mean?" I asked.

"The German as a German will not be admitted to the Trade Councils for years after the war, and he will therefore have to become a neutral to break in," was the reply.

I had just spent a fortnight in Switzerland watching the German make his last desperate play before the inevitable collapse. I realized that my friend had stated a truth big with significance for the vast social and economic reconstruction that will be the universal

task for many months to come. In no other land, not even Holland, has the German played his game of commercial penetration so consistently and so cunningly as in the tiny republic bulwarked by the Alps, and which has been the haven of the oppressed for centuries. The Germans made it for the first time the stamping ground of the oppressor, who wielded the weapon of economic necessity instead of the mailed fist.

During the four years of war the lot of the small neutrals, notably those that bordered on Germany, was not a happy one. Just as America paid a high price to ascertain the meaning of the word neutrality so did these countries discover all the terrors of war without actual participation. They were caught between a ravening and rapacious Germany on the one hand and an indignant and outraged group of Allies on the other. The wartime Holland, literally between the devil and the deep blue sea, was full mate in trouble to the Switzerland, walking on eggs. Each was a sort of nonbelligerent No Man's Land swept by a cross fire of equally cross purposes.

Now that the war is over the complications of these small neutrals do not end. In some respects they are only beginning anew. The acute self-interest of the victorious European Powers as revealed by the peace negotiations at Paris indicates that the economic struggle for existence, which will vie with a freed democracy as the principal by-product of the conflict, will affect the neutrals for years to come. Fate has decreed: Once a neutral, always a neutral. Hence any

intimate study of conditions and prospects in the non-warring lands is of supreme interest and importance.

Run the whole range of European neutrals and you get a panorama of German economic intrigue that unfolds with the romantic and sometimes sinister fascination of a cinema shocker. Spain and Sweden headed the list of these German colonies. Here the German conquest was easy because frank admiration of the exaggerated Teutonic might—evidenced wherever you turned—was a first aid to propaganda and penetration. Spain, however, was too far off to be immediately useful for war purposes. Her period of service begins now. The main efforts were concentrated on Holland, who had tonnage and accessibility to the sea, and Switzerland with her geographical and political leverage. They became and will remain the economic buffer states.

Though small in area, light in population, and raising but a wee voice in the concert of the world powers that be, they will be pivotal points in the whole German after-the-war commercial strategy. Just as they bore careful watching during the war, so must they be the objects of a particular scrutiny henceforth. Why? Simply because the whole German possibility of come-back is based on her ability to use these neutral countries for her own selfish ends. The German program of business restoration is partly based upon an intensive camouflage campaign in Holland and Switzerland.

I visited Switzerland at a critical time. The Kaiser was about to pass into eclipse, and with him the myth

of Germanic power. I saw Germans everywhere; heard their language spoken on all sides; again and again I stood on the banks of the Rhine and looked over into that land of the deepening shadow. In some respects it was like being in Germany itself. The solicitude of the German spies for my baggage and more especially the papers that it contained, continued. Those Swiss who had backed the wrong horse in the early days of the war were piling up on the bandwagon of the winners.

At Berne, for example, a German secret-service agent masquerading as head waiter in a leading hotel leaned over me as he served my luncheon and said: "At last we've got them, sir."

There was humor as well as significance in the swift turn-around of the rats who scuttled fast from the sinking ship.

Before we make our little journey through Switzerland it may be well to inventory the complications and difficulties that beset her the moment that the red tides were loosed in Europe. Holland had nothing on her. In the first place Switzerland is not one country. She is really three different nations—French, German and Italian. Out of a total population of 4,000,000 nearly 800,000 are French-Swiss and speak the language of France. Within her confines dwell 300,000 Germans who speak, think and act German. There are 80,000 in Zurich alone. These 300,000 do not include the German-speaking and German-sympathizing population that inhabits the northern section bordering on Germany and Austria. The French-Swiss

were as loyal to France as the German-Swiss were to Germany, and the Italian-Swiss to Italy. This original melting pot—it was the sanctuary of Calvin, Knox and Marx long before New York became the universal gateway—therefore, became a seething cauldron of unrest, dissension and clashing interests.

But this was not all. Prior to the war the Germans had picked out Switzerland as their particular target of penetration, expecting her to be, like Holland, a useful tool in the scheme of world annexation. She was and will continue to be, the chief intermediary on the trade highway between Germany and Italy. Likewise she provided the chief Teutonic underground railway into France. The important fact for all of us to remember now is that Switzerland, so far as Germany is concerned, will remain the same Switzerland, offering the same opportunities for exploitation and all those other pernicious activities that are so inseparably a part of the German game in peace as well as in war.

Switzerland was able to put up with all this before the war—first, because it was profitable, which is the usual reason for most things; second, because the German hand was not disclosed. The moment that hostilities began the German showed his teeth and became the bully whose favorite sport was to browbeat and intimidate the small neutral. Switzerland's troubles began. In appraising them you find a curious parallel with Holland, whose anxieties were almost identical. Both countries were physically bang up against Germany and full of imperial well-wishers.

Both countries depended in the main upon Germany for coal and iron. Strange as it may seem, Switzerland, perhaps the richest country in the world per capita and with an intensive industrial development, is absolutely without mineral resources. Practically all her raw materials are imported.

The principal wartime kinship, however—and it likewise spelled an acute wartime necessity—between Holland and Switzerland lay in the fact that their food supplies, like those raw materials, had to come from the outside. Holland, hemmed in by the blockade and the still greater menace of the German submarine, was no more aloof, so far as the bread basket was concerned, than little Switzerland, hemmed in by four belligerent countries. It was a predicament and a hardship without parallel.

Holland had ships and rich colonies, and by some means was able to get grain. Switzerland had no merchant fleets; the ships of the Allies, who wanted to befriend her, were busy with their own needs; and the railway systems of France and subsequently those of Italy were taxed to the limit to supply their Armies.

With a brutality that she regarded as a divine prerogative Germany at once capitalized the needs of these two neutrals. For coal and iron she exacted foodstuffs. With her usual philanthropy she increased the price of coal from the pre-war price of five dollars a ton to eighteen dollars a ton and subsequently to thirty-two dollars a ton. Despite this Shylockian performance she demanded compensations in the shape of immense quantities of chocolate, cheese and other

foodstuffs. The irony and hardship of the situation reached the point that just as I found it impossible to get Edam cheese in Edam so was it equally difficult to get Swiss cheese in Switzerland! Wherever you saw a Swiss cheese factory you also saw a string of German freight cars outside ready to be loaded.

If the United States, playing her great war rôle of general provider, had not rationed Switzerland with grain in a critical hour by diverting ships from war use to this humanitarian service the Swiss would have faced actual starvation. Incredible as it may seem, the Germans not only torpedoed one of these ships but subsequently accused the Swiss of disloyalty because they accepted the American help. The Teutonic war mind—like its war machine—worked in a mysterious way its blunders to perform.

Remember too that over the unhappy head of Switzerland, as over the head of Holland, there trembled always the menace of an armed German invasion. With all other ways blocked it would have given the Kaiser a road into France. Switzerland's neutrality, to be sure, had been guaranteed by the Congress of Vienna in 1815. But Belgium's inviolability had also been guaranteed, and part of the country made into a shambles. It was this fear of being a second Belgium that made Holland do many things for Germany that she did not want to do. In the last analysis it was the same dread that caused Switzerland to bend so often to the Teutonic will, regardless of price. Switzerland, "the Good Samaritan of the world," was

literally treated like the devil incarnate by the empire she had succored and befriended so often.

The outstanding features in the Swiss situation that vitally concern us are embodied in the answers to these questions: How did Germany use Switzerland for her economic ends? What was the system? How will it operate in the future?

To get the whole story we must go back for a moment to the period just before the war. In Switzerland as in no other country in the world Germany was ideally intrenched so far as her purposes were concerned. Not only was over a third of the country pro-German and German-speaking, but everywhere the vast and now familiar system of propaganda was at work. That system was part of the economic penetration program. It was a hydra-headed reptile that never slept. German tourists swarmed the hotels, German bankers had their grip on Swiss capital and employed it in the usual promotion of German schemes; German professors packed the Swiss universities, not to complete their academic education but to plant the poison of German ideas. One particular German stronghold was the Swiss banks. Most of them had German directors; many were German through and through. Zurich and Basel were in reality a miniature Berlin and Munich in their social and commercial structure.

When the war broke, northern Switzerland, if you judged by the emotion and enthusiasm of the people, was as keenly roused and concerned as Germany herself. With the first gun Germany got busy. The

first thing was to impress Switzerland with the idea that it would be a short and easy triumph and that, to quote one of the injunctions, "If Switzerland does not behave she will get a dose of Belgium." Those early German victories made a strong impression, which the Germans used to full advantage. The penetration increased. Switzerland reeked with espionage.

At once Germany showed a certain amount of economic foresight. Despite her long preparation for war she realized that with the tightening of the British blockade she would sooner or later face the problem of raw materials. She started out to cajole or coerce Switzerland into acting as her handyman. Being human and pro-Swiss above all other things the average Swiss merchant was not averse to being persuaded. A flood of food and materials began to stream into Germany. Later when Germany got up against it the Swiss realized their folly and paid for it with many pounds of flesh.

The whole German program developed three phases: One was the accumulation of raw materials either for use during the war or for reconstruction; the second lay in the foundations laid down for future trade with the world; third was the crusade launched to justify the war and establish a moral rehabilitation after the war. We will take them up in order.

With hostilities Germany launched a huge buying campaign. It was in charge of Herr Hauptmann Schmitz, who acted as chief purchaser and was attached to the German Legation at Berne. He had agents everywhere. The great object was to corner

all the available cotton, wool, rubber, copper, nickel and foodstuffs. Price was no object. The goods were bought in the open market. Everything looked rosy.

This was only so long as the war looked as if it might be over in a year. When the Germans received their first setback and the new British Armies poured into France this purchasing machine got a puncture. The Allies began to suspect the Swiss of excessive zeal in providing the Germans with materials, especially cotton, which was useful for war purposes. The edict, "No more cotton," went forth.

A great protest went up in Switzerland. "A large part of our industrial life depends upon cotton. If we do not get it we shall perish," was the plea.

"All right," said the Allies. "We will let you have cotton, but you will be rationed. You will be permitted to sell Germany only a limited amount of manufactured goods—enough to keep your industries going."

In Switzerland, as in Holland, there were "good" and "bad" business men. The "good" disliked Germany and refused to sell her goods or materials; the "bad" imported merchandise from the Allies under many pretenses and slipped it through to the enemies of mankind. Everything was grist to their money mills. This smuggling, which developed into a tremendous business, had to be stopped because it was becoming a national crime.

Now was born one of the most picturesque business institutions produced by the war, and it is still going

strong. It was the Société Suisse de Surveillance Économique, or the "S. S. S.," as it is better known. In scope and organization it was precisely like the famous Netherlands Overseas Trust. It was a group of Swiss business men organized to secure and distribute all imports with the guaranty that they were not to be diverted into enemy countries. The follow-up was not quite so rigid as in Holland, where a remarkable progressive secret service follows the material or the commodity to the ultimate consumer. The Swiss system likewise differed from the Dutch in that raw materials in particular were not consigned to individuals but to various syndicates. Altogether there were fifty-one of these miniature trusts. Each one was rationed.

Let me illustrate with the case of Syndicat d'Importation de l'Industrie Metallurgique Suisse, or the "S. I. M. S.," as it is called for short. This was the importing syndicate of the Swiss metallurgical industry and it comprises 3600 members. It was likewise the metal controller of the country; it imported all metals and allocated the amounts to the various individual manufacturers. No one could get raw metals save through its offices. The basis of supply, I might add, for all imports of the S.S.S. was the importation of the three years immediately preceding the war.

In these syndicates, which extended to every branch of industry in Switzerland, you got one of the many business compensations of the war. Never before has the value of coöperation been so emphasized. In both neutral and belligerent countries control has become

a habit. It has impressed lessons of economy and co-ordination that will be felt throughout all the succeeding generations. Of course the syndicate or large co-operative idea is not especially new in Switzerland. Every city has its group of trusts of one kind or another. At Berne, for example, they own or operate nearly everything. The leading variety theater and dance hall in the capital is the property of a coöperative society composed of stolid burghers!

The S.S.S. merely expressed this old Swiss coöperative idea with fangs. It restricted Swiss economic liberty and action, but through its guaranty of good faith to the Allies it enabled the little republic to get a working quantity of raw materials and foodstuffs, and these in turn kept the factory wheels of the nation turning.

At the head of the S.S.S. was H. Grobet-Roussy, a self-made Swiss industrial leader—he began as a maker of files—who, with his group of associates, has loyally maintained the integrity of the society's obligations to the Allies.

Before I leave the S.S.S. it is interesting to state that, not to be outdone by the Allies—and being the world's prize imitators—the Germans organized a similar institution to prevent any articles or materials exported from Germany into Switzerland from being re-exported into Allied countries. There was little provocation for this procedure, for the simple reason that with the rape of Belgium the ban on German goods started in Allied Europe. Beginning with 1915 the great bulk of German goods exported into neutral

countries was for propaganda purposes only. But this is a later story.

Coincident with this ban came Germany's studied campaign of annoyance to the Allied interests in Switzerland. One incident will show how it worked. France, like England, was unprepared for war. She had to have ammunition and she ordered it wherever it was possible to get it. The Swiss watchmakers are the best fuse manufacturers in the world. They were not averse to making the enormous profits that war expediency suddenly created. The result was that the French gave orders to various factories. Germany determined to block this game in the future. She hastily placed orders for shells with the remaining Swiss concerns. She had no idea of using the shells. Her purpose was to queer these factories with the Allies. She knew perfectly well that just as soon as a Swiss factory accepted an order for German shells, which meant that it did business with the enemy, it was put on the Allied black list. Germany went further. Almost without exception she canceled these contracts almost as soon as they were put into work, which practically left the Swiss manufacturer high and dry. He was not only in bad with the Allies, who would have renewed their orders continually until the end of the war, but he found himself in some instances with idle machinery and a burden of ill will that was a distinct liability. The German was anything but an altruist.

The organization of the S.S.S. put a stop to a great deal of open German buying in Switzerland. Ger-

many had to have the stuff; she could not get it by fair means so she adopted foul, which was no great strain on her conscience. This leads us to the German economic preparation for the future in Switzerland, which bears directly on the present hour, when the world is wondering what she is going to do for raw materials.

Though Germany began to buy enormously the moment that the war began, it must be said to the credit of the Swiss that before a year passed they officially put a stop to the unrestricted movement of these materials into the empire. The Germans kept on buying, and this means that their immense hoards began to pile up. Warehouse after warehouse became packed to the roof with cotton and wool.

By every art known to diplomatic trickery Germany sought to release these stores, which as the war dragged on and the blockade pressed became more and more necessary to the economic and war life of the Fatherland. The value that Germany placed on these materials, even as far back as 1916, is best expressed in the official circular issued by Michaelis, Minister of War, and transmitted to the imperial German purchasing agent at Berne. The document in full was as follows:

"MINISTRY OF WAR

"Berlin W 66 den 12, 11, 1916,

"Leipzigerstrasse 5.

"In the negotiations with the Swiss Government the permit for the exportation of the German-owned yarns and cloths was not accomplished. Nevertheless in the

trade agreement of September 29, 1916, the assurance of the Swiss Government was given that such German property would not be requisitioned, commandeered or in any way taken by force, and at the cessation of hostilities it is forthwith to be released.

"Due to this state of facts the War Office suggest to you that you hold your yarns and cloths now stored in Switzerland until the end of the war or to sell the same in Switzerland. The first might be preferably recommended in the interest of the promotion of the trade which is to be set going again after the war. However, a preparation or reworking into clothes for export might come into consideration. But if for peculiar reasons a sale must be effected, the representation of the War Office of the Ministry of War in Berne is authorized, if the owner so desires, to aid in such sales in order to guard against the possibility that the prices be lowered by sudden and urgent offer and the owners thereby suffer loss. The War Office of the Ministry of War makes no special charge for this.

"In case you are inclined to make use of this suggestion it is requested that you make a statement of the price limit at which you desire to sell your goods and it will be endeavored to secure for you the best possible offers; but it is called to your attention that according to the enactment of September thirtieth by the Bundesrat a fixing of the highest price limit for inland trade is anticipated for cotton cloth and cotton yarn; what this limit will be is until now not known.

"The storage certificates to be had in Berne and the appropriate authorities are at your disposition. Should you prefer to continue to hold your goods it is recommended that you report same in Berne in order that the goods may in every case be designated to the Swiss Government as German property.

"Yarns in any number are no longer to be exported.
 "By order of

"[Sig.] MICHAELIS."

I reproduce this circular for various reasons. One is to show that the immense amount of raw materials piled up in Switzerland is for the after-the-war reconstruction. Another is to indicate the cunning of the German mind. In the first paragraph appears the phrase "at the cessation of hostilities it is forthwith to be released." The Germans construed this to mean that they could get the stuff as soon as the armistice was signed. The pro-Ally feeling in Switzerland was that it meant the signing of the Peace Treaty, and it did.

You get some idea of the extent of German buying in Switzerland when I say that the accumulated stores are valued at nearly two hundred and fifty million dollars. Very little of it was bought openly during the past two years. The Germans had their stool pigeons in the shape of Swiss, Austrian, Polish or Dutch buyers, who not only bought the material in the names of firms in Switzerland, Holland and Sweden but who resorted to every possible expedient to annex material for the Germans.

These buyers were called "Schiebers." Their pockets were lined with German money and they bought right and left; and sometimes in mystifying fashion, as this incident will show:

In a certain prosperous Swiss town a merchant had ten thousand francs' worth of women's blouses. One

of these Austrian Schiebers came in and said: "I hear you have some blouses to sell."

"Yes," was the reply.

"What do you want for them?"

The shopkeeper, who had no desire to sell them, replied: "I'll take twenty-five thousand francs."

"All right," replied the buyer. "I'll buy them."

The shopkeeper protested that he could not deliver them, whereupon the buyer said: "All I want is a receipt. I'll send for them after the war."

The significance of the episode was simply this: The Austrian was buying for a German house that wanted to have an available stock immediately after peace. It is a typical revelation of the German hand in Switzerland.

Despite the fact that it was legally impossible to get the raw materials into Germany the Germans looked ahead to the moment that peace would release the Teutonic industry, and the great new world-trade competition would begin. Stores of the material segregated in Switzerland will be used during the next year in the German-owned factories in Switzerland. As I have pointed out on more than one occasion, the mark, "Made in Germany," which for a time will be the brand of a commercial Cain, will be succeeded by the stamp, "Made in Switzerland"—if the Germans can get away with it. A neat little scheme is being framed up in Switzerland, however, to frustrate this camouflage, as you shall presently see.

Meanwhile we can turn to what is in many respects one of the most picturesque and remarkable evidences

of German commercial subterfuge that the war revealed. In all my four years' study of the methods by which the Germans obtained material for war purposes I have yet to discover an episode that ranks with this in ingenuity and daring.

To get the setting we must go to the little Swiss city of St. Gall, which is the center of the embroidery industry of the world. In peacetime its annual exports amount to more than forty million dollars, of which a third comes to us. At St. Gall you get the one real evidence of America in Switzerland, for the reason that twenty million dollars of American capital is invested in her embroidery factories. As you walk down the streets you can see the names of New York houses on the walls and windows. In the comfortable business men's club—one of the best in Switzerland—you can hear American talk to your ear's content.

Since St. Gall's activity depends almost entirely upon cotton the war interfered with the even tenor of her productive way. Export limitations added to her troubles. One of the first restrictions prohibited the export of plain cotton cloths into Germany. The reason was that plain cotton cloth could be easily used for war work, and more especially in the manufacture of Zeppelins. The only cotton goods that could be sent into any of the Central Powers had to be embroidered. Keep this fact in mind because it bears directly on the point of the story I am now to unfold.

For years there had been a moderate manufacture in St. Gall of an article of feminine underwear which

we will call the X shirt. In that mysterious phraseology, which is a dead letter to most unmarried men, it is technically called a combination. In the ordinary course of underwear events—and because the skirt must be short—it never measures more than three feet in length. At the top of the garment there is usually an embroidered design of some kind. Knowing these facts you can proceed to the plot now to be unfolded.

Just as soon as the embargo was clamped down on the export of plain cotton goods into the enemy countries an activity in X shirts suddenly developed. During the first quarter of 1917 more than three hundred thousand pounds of these shirts went across the frontier into Germany. This was not surprising. Everybody knew that the consumption of goods in the empire, due to war needs, had been great. No one paid particular attention to the steady stream of boxes that went out of St. Gall, all filled with these shirts.

All goods from Switzerland into Germany are subject to a customs examination. When these cases of X shirts began to come along in constantly increasing numbers the Swiss border authorities perfunctorily opened a box, saw that it contained underwear with embroidery at the top—which met the wartime requirement—and passed on the whole lot without any further investigation. As the flood of X shirts increased one Swiss customs officer, more conscientious than his mates, began to smell a mouse. He said to himself: "These German women who are complaining about the pinch of war are certainly using up a

great many pieces of embroidered underwear. What is the meaning of this sudden fashion in X shirts?"

When the next batch came along he decided to make a real examination. The shirt on the top was made according to regulation size. It was neatly folded and was the usual plant for the unsuspecting customs officer. When the vigilant official dug down into the case he discovered that every shirt was exactly twenty-five feet long! Even the giants that our old friend Gulliver found in his travels could not have worn them. Every other case in this consignment was filled with these same fantastic garments. As a result of this amazing deception Germany got more than two million yards of cotton cloth for her war work every month.

Now the particular reason for this performance was that Friedrichshafen, the center of Zeppelin manufacture, is on the shores of Lake Constance, which is only a few miles from St. Gall. A hundred thousand yards of cloth was needed for every Zeppelin. Thus through the device of manufacturing what purported to be X shirts, the material for twenty Zeppelins was smuggled into Germany every thirty days. I need scarcely add that the moment the fraud was bared the German supply of cotton cloth suddenly decreased. The Swiss restricted the length of X shirts to eighty centimeters, and one picturesque system of smuggling came to an end.

II

This extraordinary episode—and it represented merely one kind of smuggling that went on between Switzerland and Germany—was made possible, first, by the cupidity which knows neither rank nor cause; second, by the war-born German industrial enterprise planted throughout Switzerland as the corner-stone of a new world trade. Here we reach the crux of the whole German economic penetration, which is to-day one of the principal assets of the defeated empire now struggling for rehabilitation.

We can get a concrete manifestation of it without leaving the domain of the X shirt. Before the war St. Gall's only rival, both in the manufacture of embroidery machines and in embroidery output, was the German town of Plauen. Just as soon as the war broke, her industry ceased, because practically all the cotton stocks in Germany were commandeered for actual war needs. Plauen did not sit with folded hands bemoaning the loss of her principal business. She did a characteristic German thing. She moved Plauen to St. Gall. This is not a figure of speech. She actually transferred her embroidery machines over onto Swiss soil. They worked day and night to produce the Brobdingnagian X shirts that I have just described.

The shirts represent merely a wartime expedient. These German factories are making "Swiss" em-

broideries to-day, and just as soon as the markets of the world are open they will be on sale. More important than this is the fact that when their home industries are reëstablished their product will also be hawked about as "genuine Swiss" embroidery. The most inferior German output will have the Swiss label, will be sold as the Swiss article, and will serve to give German goods an opening that they would not have if they flew their own colors.

Germany duplicated this procedure with cotton gloves. Chemnitz, in Saxony, is one of the headquarters of this industry. The Germans moved their glove machines to St. Gall and sent over hundreds of German girls to work them. These factories with their workers will never go back. If the Germans can possibly get away with it they will sell these gloves everywhere. The world that will refuse to buy German gloves will be buncoed into buying these "Swiss" gloves made by German workers on German machines in Switzerland.

In this matter Germany showed her usual trade ingenuity, as an incident concerning a well-known German buttonhole silk will show. This silk is sold throughout the world, especially in England, and is known by a certain characteristic trade-mark. During the second year of the war the manufacturers turned their business over to a competitor at Basel, who filled all the orders. It developed that the unwound silk was being sent from Germany into Switzerland, rewound, packed in the original package, and stamped, "Made in Switzerland." This is one reason

why a certificate of origin will have to be required on all foreign goods hereafter.

We have now entered the realm of the most significant of all the German wartime economic activities in Switzerland, and the one that bears directly on the future. The moment that Germany realized that she was doomed to defeat she inaugurated an intensive campaign of penetration that was a marvel of organization. As in Holland, merchandise became propaganda. Despite the pinch of necessity at home, both for war and social needs, she kept on supplying the Swiss market with every conceivable kind of commodity. New branches of German firms sprang up in all the cities and towns. The newspapers and periodicals were flooded with advertisements of goods that could never be delivered. The whole idea was to keep the German industrial name unfurled and goodwill going.

Wherever I went I found the offices of the Hamburg American and the North German Lloyd Steamship Lines not only open but flaunting their advertisements. At Zurich, for example, the North German Lloyd has imposing offices on the Bahnhofstrasse, which is the main street of this "little Berlin." On the window was painted this inscription: "Bremen—New York—via Southampton; Ocean journey 5½ days." At the moment that this invitation glittered in gold letters before the Swiss populace the ocean journey described was about as feasible as the passage of a fat German through the eye of a needle. An insuperable handicap like this did not disturb the

Teuton. The window inscription had been there in peace days; it proclaimed one little phase of German world authority, and it remained as a piece of Teutonic publicity.

Throughout the war Germany made every effort to control the Swiss cotton-goods industry. Switzerland had a considerable export business with Holland and Scandinavia. The goods had to pass through Germany on the way to the consumer because the Rhine is the great highway to the sea. At once the German authorities said: "We cannot let you ship these goods through Germany. Why not let us have them for our own use?" This procedure did two things: It kept the Swiss trade from expanding, which met the German desire; and it also added to the German stores.

Still more arrogant was the attempt of the German Watch Dealers Society to dominate the Swiss watch industry. As most people know, one of the principal articles of Swiss export is her watches, which go to every section of the world. One important customer is Holland, who reexports these watches to her numerous colonies. Just as soon as the war began the Germans saw a good opportunity to control this whole export business. They delayed the transport of these goods, which, like the cotton articles for Holland and Scandinavia, had to pass through Germany. The natural result was that the Dutch stocks dwindled. When Holland protested to Germany she got a communication from the German Watch Dealers Society, which said: "Give us your orders for Swiss

watches and you will be given the assurance that your merchandise will reach you without any annoyance or delay."

The German object was quite clear. It was set forth in an official statement by the Federation of Swiss Watchmakers, which declared:

"The difficulties and annoyances which Germany raises in the transit of our watches to neutral countries and even to nations allied with the German Empire have an importance which leaves no doubt. Germany wants to get hold of a part of the watch market by compelling the Dutch wholesale dealers, and others as well, to place their orders not directly in Switzerland but through intermediate German agents. The latter will take for their payment a well-proportioned commission and by this process will help to strengthen the German rate of exchange. To carry out their plan they make adequate transit depend upon the use of German agents."

The Swiss Watch Federation made such a protest to Germany that this scheme of blackmail—it was nothing less—failed. The significance of the performance is that it gives another evidence of German cunning, which must be reckoned with now that reconstruction has arrived and Germany will test every resource to restore her battered prestige.

I have said that Germany made every possible sacrifice to get and hold Swiss trade during the war in the hope that the good-will thus obtained would continue with peace. I could give countless evidences. Two, however, will suffice. Despite her desperate

economic plight she furnished one million dollars worth of mains and insulators for the electrification of the Swiss railways during the spring of 1918. The remarkable feature of this purveying was that Switzerland tried to get this material in France, England and the United States without success. The only country who would supply her was her next-door neighbor, then face to face with scarcity of supplies at home and an embargo abroad. I cite this episode to show that whatever her handicaps Germany will make a surprising stab at reconstruction.

The city of Zurich wanted to build a 'bridge, and invited bids. To the great surprise of everybody the only bidders were Germans.

When someone asked a Swiss manufacturer why he did not compete he replied: "To compete with the Germans would be ruinous. They are determined to get the business."

One more illustration will show that with the end of the war in sight and defeat inevitable the German manufacturer was looking ahead. The manager of the Zurich branch of an American machinery firm showed me a postal card that he had just received from a German house at Mannheim offering a complete line of small tools. It stated: "As soon as the war is over we shall be in a position to serve you. We advise you to book your orders now."

That Germany regarded Switzerland as one of her most important economic bridgeheads after the war is evidence nowhere else quite so convincingly as in Basel. This enterprising city on the Rhine, whose

population of 150,000 includes 40,000 Germans, is the hub of Continental travel. Of all Swiss towns it is second only to Zurich in importance, being the center of the industries in silk ribbons, chemical products and machinery. With the exception of Frankfurt-on-the-Main it was visited by more tourists in peace-times than any other European city, for the reason that most of the tide of travel flowing south from Germany scatters from this point to Switzerland, France and Italy.

Germany has used Basel for social and economic penetration and it will be one of her principal strongholds during these years of restoration. With that uncanny foresight which helped to make her industrially great she has a plant ready for business. Its nerve center is the great Badische Bahnhof—the Baden railway station—which presents the remarkable spectacle of a vast German terminal built on Swiss soil. Through its immense freight station comes all the German coal for Switzerland.

One day last November I walked out and took a look at this towering, ugly, typically German mass of brick and stone. It was like a vast morgue. Despite the fact that no passenger's footsteps echoed through its immense waiting rooms everything was spick and span, ready for the first train to come puffing in with its load of German visitors. This station is bound to be an important factor in the German rehabilitation, for the reason that with the starting up of German industry it will teem with German merchandise. The army of German agents, propagand-

ists and citizens generally in Basel will see that it is passed on.

Within sight of the station I saw a succession of immense brick warehouses. They were so jammed with bales of cotton that the staple had burst through some of the windows.

I asked an American who accompanied me about them, and he replied: "They are all German warehouses, and the cotton you see is part of the immense hoard that the Germans have piled up in Switzerland. Germany owns these warehouses and they will fit into her commercial scheme after the war."

Basel is of peculiar interest to us now because the German dyestuffs that were formerly shipped by way of Hamburg and Antwerp will come out through the great Baden station. During the past eighteen months the German dye makers, conscious of the growing British and American independence of them, have transferred hundreds of their formulas to Basel manufacturers, who will export them under Swiss labels if it is possible to do so. Some of the Swiss dye manufacturers, however—and there is a considerable colony at Basel—have a union to prevent this camouflage performance.

It all gets down to this: If we are to protect our trade-marks and prevent the dumping of an immense amount of German stuff masquerading under Swiss titles let the Allied world keep its eye on Basel.

Bulwarking the whole German commercial offensive in Switzerland is a perfectly organized banking system. Credit—that lifeblood of business—is theirs in

almost unlimited quantities. Not only are the German hooks fastened into many Swiss financial institutions but the Germans have what practically amounts to their own bank in Zurich. This is the Bank for Electrical Undertakings. Though housed in a Swiss building on the main street of the leading Swiss community it is German to the core. Part of the chain of German-controlled banks in a dozen countries, of which the great Banca Commerciale Italiana of Milan is the Gibraltar, it is the dynamo behind a far-flung Teutonic industrial enterprise.

This Zurich bank is really the Zurich branch of our old friend the "A.E.G.," the German electrical-machinery octopus, whose tentacles reach out all over Europe. Together with the Banca Commerciale Italiana it controls the telephone and other public-utility systems throughout Italy, and the tramways and electric-lighting system in Constantinople. Because it operates under a Swiss charter it is able to underwrite German institutions everywhere in the world. A whole new era of activity for it is just beginning.

If you have the slightest doubt about the real nationality and purpose of the Bank for Electrical Undertakings just take a look at the personnel of the board of directors. Heading the list is Arthur von Gwinner, Germany's foremost financier and co-director with Helfferich of the all-powerful Deutsche Bank of Berlin. Next comes Dr. Walter Rathenau, president of the A.E.G. Other well-known German industrial and financial figures on the board are: Herbert Gutmann, director of the Dresdner Bank in Berlin, one

of the four famous "D" banks; Prof. Bernhard Salomon, the scientific head of the A.E.G.; and Hugo Landau, one of the great commercial experts of Berlin. From this imposing array of Germanic commercial genius you can readily see how much opportunity for control is vested with the Swiss directors.

None of these economic foundations for future trade could be reared without the human—or shall I say the unhuman—element. In no other neutral country is the German personally so active as in Switzerland. Nor is this entirely due to the large German-born and German-speaking population. It results directly from the Teutonic desire to harness Helvetia to the German economic ambition.

No matter where you go you almost stumble over a German salesman. To show you the extent of this campaign I have only to say that of 6,340 traveling salesmen who visited Switzerland in 1913, 4,737 were Germans, 1,513 were French, eighty-seven were English and three were American. There is much food for thought on the part of American exporters in these figures.

The German has wormed his way into hundreds of Swiss stock companies. In order to escape observation these German interests usually do not aspire to representation among the officers, but seldom fail to intrench themselves on the boards of directors, where the real influence lies. More dangerous than this, however, is the tendency of the German economic penetration in Switzerland to hide behind the protec-

tion of Swiss citizenship. In Holland this is not so easy, for the reason that a special act of Parliament must be passed for each new citizen. It is a long and complicated performance not without a good deal of publicity. In Switzerland it is easier. That is why the incident that I reported at the beginning of this article is so significant. There will be hundreds of thousands—millions if possible—of new Swiss citizens during the next five years.

Since I am dealing with this human element let me emphasize a fact that I have often stated before: In every neutral and Allied country where I saw and conversed with German prisoners of war I invariably found them studying languages. Most of them were more eager to master English than any other tongue, but thousands were also wrestling with Spanish. This language study was inspired by the German authorities. It is a well-known fact Germany expects to recoup some of her fortunes in South America, hence the interest in Spanish.

I place the capstone on the monument of German abuse of Swiss hospitality by saying that, not content with seeking to prostitute Swiss trade and Swiss institutions generally, the Germans used Switzerland as the market place for their war loot. The headquarters of this traffic was Geneva. Here, with the aid of Bulgarians, Turks and renegade citizens of Allied countries, the robber barons established quite a brisk trade in church vestments, family plate, jewelry and even securities—all wrested from the unhappy inhabitants of Belgium and northern France. When it was im-

possible to get this booty out of Germany in the ordinary channels—a great deal of it was segregated at Frankfort—the German war profiteers used aëroplanes. There is enterprise as well as shamelessness in the German idea of the fruits of war.

Do not think that little Switzerland has sat back calmly and taken her large and almost continuous dose of German economic medicine without a protest or determination to fight back. One of the many mistakes that Germany made in going to war was that it unmasked her and her methods before the world. Out of this knowledge both neutrals and belligerents have welded a powerful weapon for defense. If Germany can put over her old trade tricks it will only be because she is stronger and continues to be more cunning than the rest of the world.

Throughout Switzerland, even in that section which speaks and thinks German, there is a growing desire for economic independence. For one thing a movement has been organized by leading Swiss manufacturers to forestall after-the-war competition in foreign-made goods fraudulently described as "of Swiss origin." A national trade-mark for genuine Swiss exports has been created. This trade name is "Spes," a word coined by taking the initial letters of *Syndicat pour l'Exportation Suisse*, the coöperative association to which the trade name belongs.

The syndicate concedes the use of the name Spes only to "products of the Swiss soil, products of the Swiss mining industry or merchandise having undergone in Switzerland manufacture or modification such

as to confer on it a new character." To obtain the right to use the name Spes on his goods the manufacturer or exporter must become a member of the syndicat pour l'Exportation Suisse. To become a member of the syndicate the person desiring the protection of the trade name Spes must prove the genuine Swiss character of his product. It is not enough for the goods to have been produced or to have undergone manufacture on Swiss soil. In addition the manufacturer or producer, if an individual, must have been of Swiss nationality before July 1, 1914, or have been nationalized for at least ten years. In the case of share companies the president and two-thirds of the board of directors must be of Swiss origin or Swiss citizenship, and at least two-thirds of the capital stock must be Swiss. All these facts must be set forth on the application for membership in the syndicate, and the claims of the applicant are carefully investigated by the directors of the syndicate before membership is granted.

Membership in the syndicate does not confer upon the member the right to use the mark Spes. If he desires to use it he must make a special application and sign a special agreement. After all these formalities have been met the use of the mark Spes is authorized. Its use does not prohibit the member from using his private trade mark if he has one. The use of Spes on products of inferior quality, the sale of which might tend to injure the reputation of the trade mark, is strictly prohibited. The use of this guaranty of unadulterated Swiss origin is vested in the control com-

mittee of the syndicate, which has ample authority to punish any abuse. This admirable movement is a body blow at one of Germany's favorite trade subterfuges. It should be adopted by every neutral country where there is the slightest possibility of a strong German come-back.

The second important phase of the Swiss declaration of economic independence is in the electrification of the Swiss railways. Its sole purpose is to free the country, so far as possible, of the thralldom to German coal. The electrification was begun in 1915 between Erstfeld and Bellinzona and includes the famous St. Gotthard tunnel. This triumph of engineering skill and perseverance—so familiar to tourists—completed the railway system that linked the North Sea with the Mediterranean. It likewise gave Germany a direct route for her products into Italy. She helped to finance the enterprise and wrung the usual concessions, which included drastic freight rebates. This concession was made on the understanding that Germany would contribute a certain amount of traffic every year. The war shot this traffic to pieces. Switzerland is now seeking further freedom from German domination by making a strong effort to abrogate this agreement, which is known as the St. Gotthard Convention. If she succeeds in doing it another nail will be driven into the German commercial coffin.

No other feature of this new Swiss economic freedom is of such world-wide importance as the internationalization of the Rhine, which was decreed in the Peace Treaty. For years Germany regarded Rhine

traffic as her particular property. Every restriction placed upon it had one object in mind, and that object was the diversion of trade and trade authority to herself. The Rhine is vital to Swiss import and export, for the reason that the great mass of raw materials for Swiss factories is unloaded from ocean carriers at Rotterdam and sent up the famous river and its tributary canals in canal boats. Swiss exports go out the same way. Germany's control of all this Rhine traffic was cruel and selfish. Happily it is at an end. It has ceased to be a bargaining asset for the discredited Fatherland.

Swiss industry which furnishes Niagara Falls with turbines and the London Underground with equipment, so wide is its field, is emerging from the war revitalized. It has discovered who its real friends are, and America is revealed as one of them. Study it and you find that it is both striking and picturesque. Take, for example, the great Saurer establishment at Arbon, which is known throughout the world. Here Adolph Saurer, the Grand Old Man of Swiss industry—who rose from forge hand to high authority—is intrenched like a feudal lord. He looks like a combination of Walt Whitman and Santa Claus and though well beyond eighty he still goes through his mills every day with a word of greeting for his army of employees.

I spent a day with him last October. He lives in a fascinating seventeenth-century house with mullioned windows that look out on Lake Constance. To the left and right are Germany and Austria, while straight ahead on a clear day you can see the famous little town

where Zeppelin realized his dream of aërial travel. The residence is in the midst of the works. To it Mr. Saurer came as a poor young man, and here he has remained while the industrial city with its whirring wheels and pounding hammers literally grew up about him. Nowhere in the world perhaps could you see such a combination of an almost medieval and patriarchal dignity linked up with the hum and throb of modern industry. Accentuating this contrast is Hippolyte Saurer, a live and progressive manufacturer who will succeed his father as head of the establishment and who is the coming industrial leader of Switzerland.

Of the same mold is Emile Reichenbach, whose immense establishment at St. Gall bears the same relation to embroidery that the Saurer plant does to motor trucks and machinery. He is a type of the energetic, wide-awake Swiss captain of capital who saw from the start that the salvation of the world and the integrity of trade lay in an Allied triumph.

Representative of the younger Swiss financial group and a self-made man of the American brand is Charles J. Brupbacher, head of one of the great private banks in Zurich, whose quarters are a marble palace that would do credit to Fifth Avenue or lower Broadway in New York. He began as an obscure clerk; to-day his interests are almost universal. His long period of training includes service in London and Paris. The Swiss bankers are thorough.

Even that powerful body of Swiss sentiment which has been friendly to Germany is seeing the light. I

have in mind E. Schulthess, former president of the Swiss Confederation, member of the Federal Council and the real boss of the country. When I talked to him in the stately Parliament building at Berne the German twilight had set in. I was amazed to hear him express himself in terms of friendship and admiration both for America and for her Allies. Coming from him it was a significant utterance.

That Swiss industry is aroused to the necessity of economic independence of Germany is evident. Shipping affords an illuminating case in point. When William Jennings Bryan was Secretary of State he gave the world a laugh when he solemnly invited Switzerland "to send a warship to help open the Panama Canal." Switzerland did not own even a sea-going bathtub. This jest is now reversed. The new commercial spirit is reflected in the organization of a shipping syndicate which contributed a fund of twenty million dollars to charter or build a merchant marine that will fly the Swiss flag. Seven million dollars of this was underwritten by the chocolate trust. The syndicate has already acquired some of the ships used for the Belgium relief.

A still further evidence of the growth of Swiss animosity toward Germany was shown in October 1918 when a Swiss Week was held throughout the country. The whole idea was to make an impressive demonstration of Swiss-made goods. It was followed up by a *Master Messe* similar to the British Industries Fair and which only showed Swiss manufactures.

What are the American opportunities in Switzer-

land? Being an industrial country she affords no great market for finished goods except agricultural machinery. But she could do business with an American bank or the branch of a foreign trade corporation patterned after the British Trade Corporation, which is absolutely essential for the safeguarding and developing of our new world-trade. We proved to Switzerland during the dark days of the war that we were ready and willing to feed her without exacting the compensations that Germany extorted from her on the top of usury. We may well follow this up in a big business way.

V—*The German in Spain*

I

BACK in the thirties George Borrow journeyed to Spain as agent of the British Bible Society to print and circulate the Scriptures. He went everywhere spreading the Good Word. After many adventures he wrote the classic known as *The Bible in Spain*. Years afterward the Teuton propagandist followed in his footsteps, but on a less holy errand. He carried a sample case in one hand and diplomatic gold in the other. He made the land of the don and the duenna the target of such highly organized and intensive social and economic penetration that, save only Sweden, it became the neutral German stronghold in Europe. The story of his achievement therefore may well be called the German in Spain.

As is the case with Holland and Switzerland, Spain, during world reconstruction, has a peculiar significance for the United States. For one thing she represents a whole new field for American export trade. Another reason is that the remarkable campaign of propaganda carried on by the Germans during the war will inevitably bear fruit these next few years. In no other non-warring nation did the late Imperial German Government wage such a crusade for good-will as in

Spain. Nowhere was she so successful. Although the war is over the story of that attempt at Germanization is of interest because it reveals some of the tactics that will be employed to try to rehabilitate the Teuton in world commercial favor.

Why was Germany so keen about having the friendship and support of Spain? The answer is easy. Spain is simply one of a group of German social and commercial jumping-off places. She must have some sanctuary because it will be raining anti-Germanism for a good while to come. Germany needed a country where her industry was a going concern the moment the armistice was signed. It has already enabled her to stamp "made in Germany" on her wares and dispose of them in markets that will be hostile to any products with the Germanic trademark. In other words Spain today is part of a vast productive scheme that includes Holland and Switzerland.

Economic mastery of Spain has peculiar advantages. During the war the Germans saw it as a step toward the conquest of the Mediterranean and therefore a definite weapon against their ancient enemy, France. Still another and equally vital reason that comes straight home to us is that Spain and South America are closely linked. Though the Latin-American republics are far removed and represent a totally different idea in national government, they still regard Spain as the mother country and take their pleasures, vices and fashions from her. Germany has long had her greedy eye on our neighbors. Her whole propaganda in Spain never lost sight of this golden goal that lies beyond the

balmy southern seas. It is well worth watching now.

The Spain of today is not the Spain of your tradition or your imagination. It is remote from being the colorful and romantic domain which was once the mainspring of great adventure and the inspiration of poet and painter. The glories of Velasquez and Cervantes have not been revived in our day. She presents the spectacle of sad contrast with a departed splendor. One a treasure house of art and wealth, the haven of mighty armadas, the nerve center of a far-reaching power on land and sea, she finds herself rent with disorder and a tool for Germanic conspiracy.

She has no twentieth-century Cortez to re-create her one-time world vision; she lacks a contemporary Castelar to win the multitude with the magic of his eloquence or to guide her ship of state with steady hand through the perilous waters of uncertainty. There is not even an up-to-date Don Quixote to tilt at the windmills of discontent fanned by Teutonic hot air.

Life with her is still one plot after another. To a degree, greater than existed in Russia that was, she is like a national bomb factory. Spain always has a pretender in her midst. Worst of all, the ruling classes—that is, the classes that rule today—have been hand in glove with a vast, close-knit and effective German propaganda that, aiming at the root of Hispanic economic independence, subtly reached out to influence the whole world that thinks, works, buys and sells in Spanish.

Why is Spain so readily assimilated by the German? For one thing she has not kept pace with the march of

events? *Mañana*—tomorrow—represents the effort that always will be made, and never is. *Quien sabe?*—who knows?—is the undoer of the national will. Moreover, the Spaniard of other days took to intrigue as naturally as a duck takes to water. His descendants have not quite lost the habit. When the German came along armed with money and malice to rear a new trade and political outpost for his empire he found in Spain ready and willing co-workers.

If you know anything about German economic penetration you also know that its conquest of trade is merely one facet of a many-sided ambition. German capital is not only the most exacting in the world but likewise the most political. Just as every German salesman is a secret agent for his government so is each step in the development of Teutonic foreign trade inspired by national spirit. Germany's ends have always had to be served no matter if they disrupted a little thing like the domestic peace and commercial harmony of another nation.

Take Spain. In the natural course of events and despite our war with her, she fostered the greatest good will toward the United States—a national state of mind inspired by the king himself, who has always had the greatest admiration for Yankee institutions. Long before the world war began, the Kaiser, as the all-highest mentor of world conduct, began to influence the Spanish court. When the war broke out this desire resolved itself into an organized campaign. There is a large body of sentiment in Spain friendly to the Allied cause. The king himself is said to have

been favorably disposed toward the Entente at the outset. With characteristic cunning—and it was merely part of the economic crusade then well under way—the German agents began to stir up trouble and lay it at the door of pro-Ally sentiment. They fomented disorders and held the king responsible. He became a royal scapegoat and his popularity was impaired. The Germans went so far as to threaten to support the pretender, Don Jaime, who heads the forlorn Bourbon hope, if Alfonso did not cultivate a neutrality that was pro-German!

The way to court domination was comparatively easy, because the three ruling classes in Spain—in the aristocracy, the clergy and the army—were all pro-German. Spain is one of the few countries where the institution of caste remains. Hence the great majority of the people, who really represented Allied sympathy, had no influence.

Germany's rôle as mischief-maker in Spain is no new one. One of the Kaiser's particular specialties was to be a professional provoker of internal troubles. It was important that he succeed in Spain, because Germany must have a port in the post-war anti-Germanic storm.

The ex-Kaiser specialized for fifteen years as world meddler. He repeated the Spanish performance in many climes. He had a finger in the revolutions in Portugal and China, though neither of them produced the pro-German results he hoped to achieve. The flare-up in Morocco in 1911, which came near igniting all Europe, was directly the result of the Emperor's

meddling. The whole world knows how King Constantine of Greece was his dupe. If that wavering and henpecked royal husband had listened to Venizelos he would have saved his dynasty and not be an exile in Switzerland today. The Casement conspiracy is familiar.

Coming nearer home, you have the whole Mexican muddle, which was a nest of German conspiracy, revealed by the publication of Herr Zimmermann's indiscreet note and countless other episodes which show how persistent was Germany's desire to foment and disseminate revolution in our neighbor republic, all to the end that the United States be embarrassed and her war effort curbed. Cuba, Haiti, and other Latin-American republics have all felt the sinister influence of Potsdam.

Most of these ambitions were happily doomed to failure. Spain therefore has the unique distinction—if you want to call it so—of being the one place where the Kaiser has made good so far as his efforts to affect national politics are concerned. Spain played the German game as the Kaiser wanted it played.

One of the chief interpreters of the Kaiser's desires in Spain happened to be an individual extremely well-known in the United States. He is no other than the notorious Captain General Weyler, who was the real cause of our war with Spain. When he was Governor-General in Cuba they called him "Butcher" Weyler. Instead of slaughtering innocent Cubans he Germanized public opinion in Spain. Weyler is of German origin, as his name indicates, and despite his career in

Cuba—it won him the title of “The Gila Monster of Spanish Tyranny”—he is still high in favor.

Though the sun has set upon Spain's world glory you must not get the idea that she is entirely a back number. Whatever the Germans touch they make efficient, even if that efficiency is the badge of an economic bondage. Beggar and brigand still abound, to be sure, but there is a modern power plant in historic Toledo, and an electric railway line whizzes through old Seville. The Spanish north is criss-crossed by railways built by British capital; German gold has developed an extensive water power; on the east is Barcelona, the Spanish Manchester, with her thousands of looms; while on the north coast rises Bilbao, the Hispanic Pittsburgh, with noisy docks and throbbing mills. Spain's industrial development did not begin until after the Spanish-American War. Up to that time much of her income was from without. When she lost her colonies she had to bestir herself to raise it from within.

The European war gave her the greatest prosperity that the country has had since the brave days of galleons and grandes. She duplicated, however, the experience of Sweden, another neutral nation whose purse has fattened on war needs. Summed up it is this: The rich Spaniards grew richer and the poor Spaniards became poorer. It was all due to the fact that the war wealth went into one kind of pocket. While the cost of living, which is no respecter of race, creed or country, has gone steadily upward, wages in

the main have stood still. Here is the source of most of the Spanish disquiet.

Over the whole Iberian Peninsula hovers the influence of Germany. It is a small, lazy copy of Italy before the break with the Kaiser. The train that carried me to Madrid from Barcelona was drawn by a German locomotive, with the maker's name in large letters on the boiler. The hotel at the capital where I lodged was a miniature exhibition of Teutonic goods. The bed in which I slept, the tub in which I bathed, the bronze clock that told me the time and the electric fan that kept me cool were all German made and German labeled. The boche believes in advertising.

One thing impressed me forcibly after I crossed the frontier into Spain. It was a German salesman at the little station at Portbou. He scrutinized my fellow-passengers—they were nearly all neutrals—with eagle and malevolent eye. It showed that the German commercial emissary was also a German government agent. Since there were approximately 80,000 Germans in Spain you get some idea of the army of press agents, propagandists and imperial well-wishers that Germany had on the job. They are still there. In a population of 20,000,000 they are an effective force.

There were nearly 10,000 Germans in Spain before the war. This number was increased by the travelers caught in the wing at the outbreak of hostilities, by soldiers and civilians from Kamerun, by the exodus from Portugal when the country went to war, and by many others who came over from the United States to help the cause. No matter where they came from, they

began to study Spanish the moment they entered Spain. Here you get one of the keys to successful German penetration, whether it is social, economic or otherwise. No other form of flattery is so effective as that which adopts the speech and customs of the foreign land in which you happen to be. The Germans know this and our people do not.

I have heard Germans conversing with each other in Spanish in Madrid and Barcelona cafés. They do not do it in a low voice either, because they know that it pleases the Spaniard. The whole successful German invasion of Spain—as in Italy—is reared on a careful study of taste, temperament and need. It begets good will and it sells goods. Wherever you find German propaganda in Europe or South America you also find an effective line of selling talk. This is due to the fact that German business and politics are so closely related that it is impossible to separate them. In other words, Germany's business is politics and her politics business. The Fatherland always gets a dividend out of the work of her sons.

The German propaganda in Spain was particularly interesting to our business because it concentrated upon our war aims and our commercial operations in the kingdom. The first step in this, as in all similar crusades, was knowledge of the people. The German, for example, knows that the Spaniard is proud and sensitive about his lineage. Concede that he is an aristocrat, and therefore a gentleman, and he will go to the limit to serve. The German has played heavily upon this amiable weakness. Flattery is one of the

strong Teutonic cards. The American, on the other hand, goes at the Spaniard hammer and tongs. He is impatient of his procrastination and frets at his side-stepping. The Spaniard thinks and talks in proverbs which are often more picturesque than practical. Most German agents carry a little handbook of Spanish axioms and have them ready to quote for all occasions.

The Spaniard hates most foreigners. His antagonism toward the English, however, is less than that held for any other alien, except the German. His lack of hostility in this respect is easily explained. For many generations there has been a considerable British colony throughout Spain, especially in the copper and wine districts. If the British propaganda had been properly effective at the beginning of the war—and the English themselves were the first to admit its failure—the Germans might not have obtained such a foothold on influential public opinion. The British endeavors, however, depended more upon literature than upon actual contact, whereas the German was on the ground and busy all the time.

The German propaganda in Spain was a marvel of intelligent application. Its whole tendency was to show by word, print or picture the close and "sympathetic" relation between Germany and Spain. It took the form of tainted war news. Spanish books that glorified German "kultur"; it flattered the court with "intimate and inside" news from the Front; in short, when backed up by adroit and fulsome praise let loose incessantly, it was an irresistible force.

Now this whole network of espionage and propa-

ganda led to one portal—the gateway of business. The Germans in Spain realized that the war would end some day and that they would lose. Regardless of results their commerce must go on. They were determined that in at least one European country they would be able to “carry on” the moment the Peace Treaty was signed, and they were.

How was this accomplished? Whenever a factory or a factory site was offered for sale the first and best bidders were Germans. If there was the slightest likelihood of a mining property being put on the market the owners got a polite inquiry from an interested Teuton. If the output of farm, orchard, flock or herd was to be sold you discovered the Germans hotfoot after it. Almost before a newspaper containing the advertisement of a water power project for sale was on the street a representative of Alemania, the Spanish for Germany, was on the job.

For three years Germany mobilized immense stores of cotton, copper, oil and ore in Spain. Knowing these facts you can now look at the export figures from the United States to Spain during three years and make an illuminating deduction. In 1913, the last normal year before the war, the Spanish imports from the United States aggregated \$31,471,723; in 1917 they had grown to \$76,992,669, or more than double. Though Spain has supplied some of the Allied countries, especially France, with certain finished products, the fact remains that a considerable portion of this large increase went to swell the German hoards.

Take cotton and you will see just what I mean. In

1913 we exported to Spain 158,976,935 pounds as against 229,309,705 pounds in 1915. There is the same relative increase in various other commodities. These stores are German insurance against discrimination by the Allied nations after the war. Their policy will be to conserve raw materials for their own trade.

Remember also that German business in Spain is going on without interruption, The Allgemeine Elektrische Gesellschaft, otherwise known as the A. E. G., is there with all her lights turned on. This huge electric-industry trust, whose long arms reached out to every Continental country before the war, is the backbone of Germanic industrial authority in Spain. Here it is known as the Thomson-Houston Iberica. It has branches in all the large cities.

It is tribute to the trade tenacity of the German that in the face of his economic isolation he did not give up. On the Alcala, the main business street of Madrid, the Hamburg-American Line has kept magnificent offices open and ready for business, though there was no business to do. This in itself is interesting. It becomes much more impressive when I tell you that in the show window was a huge map of the seven seas, showing the trade routes traversed by the line, and—irony of ironies—alongside was a complete list of the hundreds of ships flying, or that once flew, the Hamburg-American flag.

This may appear ridiculous to you, fully familiar with the facts. It was not so ridiculous to the citizen of Madrid walking up and down that main street. All

he knew was what he saw ; and he saw before him, in the midst of a great war that menaced German imperial existence, that the Hamburg-American Line still had every one of her ships.

In Spain the mighty Metalgesellschaft of Berlin—the huge Germanic Metal Trust—got its hooks into every possible ore property. Prior to the war the Krupps had a strong grip on the iron mines in the west of Spain. The substitute for this supply was a practical monopoly on the ore product of Sweden.

II

German business in Spain is built on the well-known formula which welds finance and industry and which may be said to have this cardinal rule: "We can give anybody anywhere anything he wants." It is the boche's foreign trade creed. If Antonio Garcia down in old Seville, for example, wants a lavender saddle with a pink pommel and green stirrups, the German leather merchant assumes that he knows what he wants and makes it for him without asking a question. He even congratulates him on his good taste. The German never makes the mistake of adopting the take-it-or-leave-it policy. If a manufacturer orders a special machine that seems ridiculous, the German agent immediately says: "It's a splendid idea and we will be glad to make it."

These tactics—and they are never too familiar to be repeated—combined with long credit and accurate knowledge of needs, have built up the German business good will in Spain and will keep it alive indefinitely.

What concerns the American business man is our opportunity in Spain. Unfortunately we have long neglected it. This is all the more remarkable when you consider that the geographical location of Spain with reference to our eastern seaboard is unusually favorable for trade development between the two countries. Look at the map and you will see that the western coast of the Iberian Peninsula is nearer New York

by several hundred miles than any of the northern European ports in France or Great Britain. Vigo, for instance, is exactly four hundred miles nearer New York and Boston than Liverpool is. The great need is a direct steamship line between New York and Vigo. Unfortunately Vigo has no hinterland, no railways, and her population is small. If we really mean to do business in Spain in a large way we could remedy all this. It is an opportunity for American enterprise which could combine a check to the German economic advance at the same time.

In area Spain is almost equal to the original German Empire or France, and sixteen times larger than Belgium. Yet the trade of the United States with France in normal times is five times as great as with Spain. With Holland and her 6,000,000 people, our trade is three times larger than with Spain with her population of 20,000,000. Little Switzerland with less than 4,000,000 inhabitants, an inland country with no ocean outlets, sold us in peace years goods about equal in value to what we import from Spain.

The big fact for America to remember at this moment is that Spain in some respects is the most important neutral nation in Europe. Now is the time for a trade offensive in Spain if we are going to do business there at all. In 1914 the Spanish buyer began to turn to American goods, like typewriters, office supplies and hardware, which were formerly supplied by German, French and British jobbers and their representatives. We have only to follow up this lead.

To be concrete, let me quote what Dr. C. W. A.

Veditz, commercial attaché to the American embassies at Madrid and Paris, said to me with regard to our possible trade relations in Spain:

"I am fully persuaded that our manufacturers and dealers would find it well worth their while to study the Spanish market for leather; boots and shoes and the machinery connected with their manufacture; photographic apparatus and supplies; small tools and hardware; certain lines of chemical and pharmaceutical products; coal; electrical supplies, materials and apparatus; glass, musical instruments, candies, gentlemen's furnishing goods, particularly underwear; cravats, shirts, collars and cuffs; cheap jewelry; surgical instruments and dental supplies."

One reason why American business is not so strongly intrenched in Spain as it should be is that we have made so many of our usual mistakes in foreign trade there. We repeated, for instance, the chronic blunder—it has cost us much business in France and Belgium—of leaving the representation of some of our interests to aliens, who are often Germans. In Spain this continued for a considerable time after the war broke out. It gave the German an excellent chance to keep going.

The road to a permanent trade relation is through personal representation. A postage stamp is a poor salesman, especially if it does not speak the language of the prospective customer.

Our prize oversight in Spain, however, is the failure to establish adequate banking facilities. Incredible as it seems, there is no American bank in the kingdom.

England has not made this mistake. When you go to Madrid or Barcelona today you will find that the Spanish banks have no finer quarters than the London County and Westminster Bank.

Another British enterprise strongly entrenched in Spain is the Ebro Company, founded by the late Doctor Pearson, who went down on the Lusitania and who was a real empire builder. The Ebro Company developed immense water power and electric railway interests in Mexico and is duplicating those activities in the vicinity of Barcelona and other large cities.

Spain is well worth developing. She has a greater variety of minerals than the United States. They remain unexploited because the Spaniard has very little confidence in his own country. When he invests he always employs his money abroad. As a result French, British and Belgian money built the Spanish railroads, while German capital developed the water power and the steel industry, especially near Bilbao.

Concessions are the curse of mining in Spain, as you will now see. A bankrupt member of the nobility gets the right to operate a property. Instead of forming a company he sells the privilege, which is then hawked from one group to another. It becomes a rolling stone that gathers nothing but abuse from the various victims. Out of three thousand coal-mine concessions issued during the past five years less than two hundred have been worked.

Spain needs coal. Her Austrian fields produce only a very inferior quality of fuel, and it is not for export. The country that can produce and ship coal to France,

Italy and Spain will be the country bound by the strongest economic ties. It shows the way to one strong post-war relationship with the Spaniard.

If we do get busy in Spain it will be with a new Spain, despite Madrid's picturesque contrast of ancient oxcarts creaking past the Ritz Hotel. She has rolled up the greatest gold reserve of her history. For the first time she is a creditor nation. She is far from being supine. She has increased her army, enlarged her munition factories and is strengthening her fortifications. Yet the Spaniard is far from bellicose. All the blood that he wants to see can be comfortably spilled at a bull fight. Nor is he altogether the drone that some Americans think him. Two incidents will show that he can be enterprising.

In Spain the signal for the departure of a train is made by the ringing of a bell which hangs over the door of the waiting room of the station. A Spanish salesman had a limited time in a small town and he wanted to catch a certain train. To make certain that he would make it he unhooked the bell from its place and took it with him on his business rounds. The conductor, a creature of habit, serenely held the train until the salesman restored the bell and rang it.

Spain is creating new industries. I traveled from Barcelona to Madrid with a Spaniard who told me that he had always worn khaki in summer. During a trip to Paris last spring he went to a large shop to order three or four suits, which he wanted at once. He was amazed when the salesman said: "I am sorry that we cannot accommodate you. We must order the goods

from Spain." On account of the tremendous demands that the armies are making on French and British khaki factories, Spain has had to develop her own. They are a factor in the national trade now.

Doing business in Spain is a real adventure. Unless you start right you are booked for all kinds of trouble. Wherever the uninformed alien seeking to establish trade relations turns he encounters some obstacle, temperamental or acquired, that will ruffle his temper or tap his pocket-book. Since graft is almost as old as Spain herself, it naturally follows that the way to the establishment of commercial enterprise is beset with meaningless laws and punctuated with fees. In every foreign company with a declared capital, for example, the manager must pay a tax of ten per cent of his salary, and the employees five per cent.

No American firm should think of entering the Spanish field without investigating every legal detail from the Spanish point of view. This is part of the general principle for successful foreign-trade exploitation, which may be summed up under the instruction: Do business in a foreign country wherever possible as a corporation organized under the laws of that country.

There are five ways in which a foreign company can carry on a business in Spain. The first is to have an agent, who may be a Spaniard. The second is through a direct representative of the company, which requires no capital, and under the Spanish law no bookkeeping. The third is a branch company with a so-called "declared capital," which means that a full set of books

must be kept in Spanish. The person sent to represent the company must have a full power of attorney certified to by the proper authorities in the home office and viséed by the Spanish consul there in order that he may be accredited by the government and civil authorities. The fee for the incorporation of a company with a capital stock of \$10,000 is \$300.

Another alternative is to start a Spanish *anonyme* company, which can be formed by three people, who need not necessarily be Spanish. Shareholders are only responsible to the extent of their holdings. For a \$10,000 capitalization the cost, which includes lawyer's fee, would be approximately \$350. With this company a full set of books must be kept in Spanish. Under the Hispanic laws there is still another way to conduct trade, through what is called a collective company, which may be organized by two or more people, with a fixed capital but no shares. It really corresponds to an old-fashioned American partnership. In this type of company the providers of the capital assume full liability for all indebtedness. In the opinion of Americans who have done business in Spain the direct representative arrangement or an *anonyme* company is the most desirable.

The whole Spanish trade field is ready and waiting for American enterprise. Like many of her fellow neutrals, Spain tried to become pro-Ally overnight the moment that the doom-note for the German was sounded. Trade, like sentiment generally, follows the flag of victory. The Spaniards are willing to forget

our little war of 1898. France has already begun a highly-organized business campaign in the domain of King Alfonso, closely followed by England.

If we are to stabilize our war-won foreign trade we can rear one profitable bulwark for it in Spain.

VI—*The New Italy*

I

I WAS on my way back from the Italian Front. All day I had watched the duel of guns across the Carso. Now, after a wonderful sunset that flooded the Adriatic with fire and revealed Trieste white and shining in almost dazzling relief, night was coming on. Already the searchlights licked the shell-swept hills with telltale tongues of radiance.

My guide, an Italian captain, began to talk of the future Italy. He was a temporary officer whose command of languages equipped him peculiarly for headquarters duty. In peace he controlled an industry that employed ten thousand men and women; in war he was merely a cog in the military machine.

"No matter what dangers we face, Italy will come out of the war more united, more efficient, and with a whole new economic future that will make her a world trade factor," he said.

The boom of cannon punctuated his remarks. Artillery, ammunition and supply trains rattled up and down the road we traversed. We were in the midst of actual war. Yet he looked ahead to peace and the reconstruction that would come with it. What my companion said crystallized the sentiment of the New

Italy. It was the voice of a nation being remade in the crucible of conflict.

The high hope uttered on the edge of the maelstrom of war has found realization in peace. Italy emerged from the great struggle to conquer German militarism with a bigger basket of the spoils of war than any other allied people. She got much more than she expected. With Trieste, Gorizia—practically the whole mastery of the Adriatic—she is a new and vital force in world reconstruction.

In the thrill of our own part in the war in France and the glamour of kinship with England we are very apt to forget that, with the possible exception of Germany, no European country has so strong an actual racial link with the United States as Italy. We owe her much. In the first place, it was an Italian who discovered America. Secondly, millions of her citizens live and work in our midst. Their energy is written on endless highways, far-flung railway mileage, tunnels and skyscrapers without number. There are more Italians in and about New York than in Rome. During the year preceding the war nearly 300,000 immigrants left the shores of Italy to take refuge upon our own. More than 2,500,000 Italians call America home. To the average Italian the whole world outside his native country begins and ends with the United States. It is the land of promise; often the field of rich fulfillment.

When I was at the Italian Front it was no infrequent experience to have a private soldier step up, salute and say: "I helped to build the New York Subway," or "I worked on the Hudson River Tube."

One day at Gorizia a superb-looking young sergeant, who resembled a Gascon knight in his steel helmet, approached me with a smiling face and said: "My wife and children are at Warren, Ohio, my brother is in the first American draft, and I am going back to the United States if I come out of the war alive."

This typical confession shows how close is the physical relationship between two countries that industrially scarcely understand each other and that in a big business way could have much in common. What is the future of Italy? What can we do to establish an enduring economic kinship with her? What are the concrete opportunities for American trade?

Before we go into economics, however, we must first take a swift survey of the human and historic approach to that great hour when Italy broke away from the Triple Alliance and cast her lot with the Allies. Just as it is impossible to establish trade in France without knowing the French people and their needs, so is it equally impossible to get an adequate conception of what commercial Italy means to us without knowing her antecedents or comprehending the Germanic grip upon her.

To begin with, the average untraveled American is too apt to look upon Italy only as a place of the past, as the treasure house of art, the sanctuary of an immortal romance that breathes of Beatrice and yet is sinister with the intrigue of Borgia. For decades this was true. Italy drowsed in the reflected glory of other days. She was literally oppressed by her traditions. But she was not alone in that luxurious dissipation.

We duplicated it in our own South. One reason why the whole region on the other side of Mason and Dixon's line stood industrially still for years after the Civil War was that it dreamed and lived "the good old days." The people in power were of a departed generation. The moment they awoke to the realities of the strenuous and practical hour in which they lived, shook off costly sentimentality, and thought of the future they became efficient and prosperous.

So with Italy. So long as the country remained a glorified art gallery and was content to specialize in tenors and tourists, she was a back number in the category of progress. As soon as she adopted German methods of commercial organization she found a greater glory in Marconi than in Petrarch. She began to print the reproduction of a modern, standardized motor factory instead of the Pantheon on her picture postcards.

Rome wanted an up-to-date tramway system, so she bored a tunnel under her famous ruins. The archæologists howled with horror at the sacrilege, but the service was improved. This is the evolution of Italy. She has a virile and animated present, and with it is linked the promise of a rich future. The glories of Mazzini and Garibaldi are linked with the achievements of Pirelli and Perrone. Realism has succeeded Romance.

It was the poet D'Annunzio who uttered the eloquent and ringing trumpet call that roused Italy to the break with Austria. The picture of the dramatist, wearing the uniform of an aviation officer and standing on the

balcony of a hotel in Rome urging the nation to fight, is the incarnation of the Italy that is. Thought and action have been transformed by the war.

We have a curious and little-known comradeship with Italy in the fact that, like the United States, she has a North and a South, with as distinct a boundary line as ever divided Yankee Land from Dixie Land. She, too, has her conflict of tongue and temperament. She is a melting pot. It would be difficult to find a country of wider racial contrasts. The industrialized North is the stronghold of commerce, peopled by hardy, industrious and persevering clans. In the South are the languorous, who would rather raise olives and immigrants than become part and parcel of the national unity. They are the prey of politics, the victims of absent landlords.

Some of us look upon the Italian as a "wop," a "dago" or any other thing that you may call the ditch digger from the southern provinces, because he happens to be the type with which we are most familiar. Yet not every Italian wears overalls and sweats mud. And you will find the Italian people proud and sensitive—attuned to the fine things. Huxley once said that the Italian brain was the keenest in the world. When you meet the leaders of the war you realize that he was not wrong.

Remember, too, that the Italian is a worker. Wherever he has labored he has taken root; he generally becomes a good citizen.

The moment you begin to study Italian business you come to grips with Germany because Germany is

Italy's commercial mother. The mailed fist that dragged the world into bloody physical war had no more fitting prototype than the iron economic heel that pressed down on Italy. The land that produced Christopher Columbus has been the favorite stamping ground of German business penetration. It will be a difficult task to uproot her.

How did Germany forge the economic shackles on Italy? There was a definite reason which you must know in order to understand fully the why and the wherefore of the Teutonic domination of Italian finance and industry. In England and France it was comparatively easy to wipe out the German influence in business at the beginning of the war. With Italy it was more difficult. The vast, secret, and relentless ramifications of German commercial intrigue impregnate the whole national body of business. To tear them out at once would rend the structure asunder. It would be business suicide. This is the reason why Italy as a nation has had no inherent antagonism toward Germany, why she delayed going to grips with her, why the task of emancipation from economic serfdom will be as colossal as winning the war itself. I do not see how she can ever be free without American help.

Up to the war Italy and Germany were as close as two peas in a pod. It was a mateship born of a common dream of expansion. The German Empire and United Italy were practically framed by the same statesmanship. Bismarck, unifier of modern Germany, had as colleague the brilliant Cavour, Italy's greatest

statesman. What is now the Italian Kingdom was a mere group of states before the Franco-Prussian War. France might have become their foster mother and welded them into a sisterhood that would have been a worthy ally. But France had always rubbed Italy the wrong way. The weakness and cupidity of Napoleon III and his colleagues, expressed by the seizure of Nice, Savoy and Tunis, alienated Italy and shattered her confidence. England was indifferent, so Italy turned instinctively to the Prussian giant then emerging out of blood and iron into a world power for the first time.

Cavour and those who followed him, hawked Italy's ambition for national unity and trade expansion throughout Europe. The only willing ear was that of Prussia. When France ceased to be a factor in Italy with her collapse before Prussia, the hour of Italian coalition struck. The year 1870 therefore witnessed the birth of the greater Germany and greater Italy. Out of this kinship of a common imperial birthday naturally came the close economic relation. It explains everything.

Thus Germany the Empire, and Italy the Federation, stepped into the sun at precisely the same hour, one to a militaristic destiny that, like a twentieth-century Samson, shook the temple of Peace to its fall and fell with it! the other to a serene and constructive career among the nations of the earth. Germany chose consuming imperialism; Italy put her faith in nationalism. This is the vital difference today between the two peoples.

Why did Italy join the Triple Alliance and ally herself with her ancient enemy, Austria, whose career was one continuous purloining of Italian territory, from the Trentino to the Adriatic? Simply because the other nations would not have her. France was linked with Russia and wanted the control of the Mediterranean; Italy, for trade and territorial reasons, had to dominate the Adriatic. Single-handed, this was impossible. She followed the line of least resistance and joined with the Hapsburgs, whose greedy eyes were also on those storied waters. It was easier and better to have their nominal friendship than their avowed hostility.

All the while Germany was marching to the stewardship of Continental Europe. The genius that had welded Prussia, Saxony, Bavaria and Wurtemberg into political unity beheld the vision of a world economic empire. Now began the affinity of German economic and politics. It was this linking up of finance and industry to statesmanship that launched the world-wide campaign for Teutonic commercial control. The insidious, ceaseless and universally vigilant institution known as German economic penetration came into being. Its chancellery was the German Foreign Office; its capital stock was intrigue joined with ready money; its secret service was embodied in nearly every German salesman, no matter where he went; the government was full partner in the enterprise and the whole globe was the field of operation.

German economic penetration was in full swing when Italy, through Crispi, sought German help. She

was an economic foundling on the doorstep of Europe. She had little cash and less credit. The great mass of her people were wedded to the soil and content with a pittance. The dissatisfied emigrated to the United States or elsewhere. Italy became the business pupil of Germany. She offered her country as the school-room, little dreaming that the birch rod would become the big stick. The canary began to play with the cat. Before many years had passed the bird was inside the animal.

The Kaiser became the exalted advance agent of this militant business aggression. He made frequent visits to Italy. On one of his trips occurred an amusing but none the less significant incident: The one-time All-Highest went to see some archæological excavations. With what seemed to be a touch of imperial humor he ordered cakes of the royal soap to be distributed among the workers. The next week German salesmen appeared in the community selling the identical article that had been bestowed with such kingly grace. In other words, the Emperor had simply been a glorified sample distributor.

Italy built up a big commerce but it was German-controlled; the North bristled with industry, but it mainly used German machinery and was in charge of German experts; her banks were owned by Italian stockholders but dominated by German financiers; her ships sailed the seven seas, but under the green, white and red of the Italian flag was always the unseen but indelible black, white and red of Germany.

All this subserviency grew out of the sad fact

that when Italy bared her economic bosom to Germany she did not reckon with the thing that is German trade ambition. In business as in war German might was right.

Almost before she realized it Italy had signed away her commercial future. She became the vassal of a business Prussianism. Instead of gaining economic independence she was delivered hand and foot into the most uncompromising of all slavery—the bondage of wealth.

II

The story of Germany's conquest of Italy is one of the most remarkable trade adventures in all history. Its first real outpost was reared with finance. Italy needed a great bank, and Germany filled that need in characteristic fashion. In Berlin were those gigantic engines of development, the Deutsche and Dresdener Banks and the great house founded by Bleichroeder, the Disraeli of German finance. Under their direction, but more particularly with the patronage of the latter, the Banca Commerciale Italiana was started at Milan. When this bank threw open its doors in 1895 the drive wheel of the power plant that was to energize a whole new Teutonic commercial ascendancy was started. Thenceforth that marble palace in Lombardy was to be the real capital of Italian commerce. The name of this bank before the war was synonymous with German industrial authority.

The beginning was interesting. Germany seldom made mistakes with her imperial trade policy. Though Italy had come to her hat in hand, she knew Italy's needs long before they were voiced. The sleepless system of German trade espionage—as necessary to trade development as it was to the military machine—had Italy charted and diagramed, ready for exploitation. Germany began her conquest of Italy in the Italian language and with Italianized Germans. She picked the two men best equipped to be both path-

finders and builders. They were Otto Joel and Frederick Weil.

In the middle of the seventies Joel and Weil, then in their teens, left their homes in Germany to make their fortunes in Italy. They secured positions with the Banca Generale of Genoa, where they learned the banking business. They also learned a great deal about Italy and the Italian temperament. The Banca Generale failed just about the time that Wilhelmstrasse in Berlin decided to establish a bank in Italy. Through the underground system which reached from every patriotic German throughout the world back to the capital, Joel and Weil were known and therefore booked for service. They were put in charge of the baby bank at Milan; they made it the financial giant of Italy.

Joel was the strong man of the combination. He was almost Lincoln-like in appearance and had some of the great emancipator's wit, foresight, shrewdness and humor. He wielded a power such as a combination of J. P. Morgan, James Stillman, George F. Baker and Thomas F. Ryan would have spelled. These Americans represent interests that sometimes war on each other. Joel, on the other hand, was head and front of a trust that brooked no opposition—certainly not for many years.

The Banca Commerciale Italiana began with a capital of five million lire, or a million dollars in American money. This capitalization grew to a hundred and fifty million lire. Now the interesting and illuminating feature of this capitalization—and it applies to

nearly all German-endowed enterprises in Italy—is this: Practically the only German money actually put into the bank was the original investment. Just as soon as the business expanded, this capital was withdrawn and supplanted with Italian money. The power and prestige of the institution, however, remained with the German director and his associates and were employed for German promotion. This was the backbone of German penetration in Italy.

Why did the Italian stockholders stand for this procedure, you naturally ask? Simply because the average Italian stockholder is no different from any other stockholder the world over. So long as he gets his dividends regularly he does not concern himself about management. This kind of director who does not direct permitted the abuse of corporate power that led to the insurance and kindred exposures in the United States. Italy had no Hughes to put the probe into dizzy finance. The Banca Commerciale Italiana was so intrenched in power that its mastery of the Italian situation was complete. It could do no wrong.

Now you can understand the astounding fact that though Germany was the economic master of Italy her actual cash investment in the country was less than that of any other nation doing business there, including Switzerland. According to the most reliable statistics prior to the war the investments of foreign countries were approximately as follows: Belgium, \$37,000,000; France, \$30,000,000; England, \$22,000,000; Switzerland, \$16,000,000; and Germany, \$6,000,000. Yet with this paltry \$6,000,000 she was able to influence

and control or have some kind of interest in nearly all the 783 stock companies in Italy, whose combined capital was not less than \$900,000,000.

To be specific—and I use the figures given to me by the present head of the bank—the institution has definitely aided in the organization and control of 19 chemical and electrochemical industries, 25 engineering companies and shipyards, five mineral companies, 21 textile industries, 24 transportation lines, nine building and building-materials industries, 16 general industries, three huge concerns for the production of foodstuffs, and four hotel companies that operated everywhere.

How was this supremacy achieved? Study Italian financial and industrial enterprise and you soon get the answer. No man or group of men in Italy could make corporate headway without the aid or consent of the Banca Commerciale Italiana. I will tell you why. The bank was the Italian partner of the famous Allgemeine Elektrische Gesellschaft of Berlin, better known as the A. E. G.—the great German electric-machinery trust that could give American monopoly cards and spades and beat it in the great game of business freeze-out. If you know anything about German business you know that the A. E. G., like the Hamburg-American Line, the North German Lloyd Steamship Line and the Potash Trust, was among the Kaiser's business pets. It operated in every Continental country and usually got what it wanted. It was literally the dynamo of Europe.

The Banca Commerciale Italiana put the A. E. G.

into Italy. Otto Joel made himself president of the Italian company, and Weil was an associate. It was financed, of course, by the bank, which means that it became a province of the German industrial hierarchy.

What happened? I can perhaps best illustrate with a concrete story:

A group of men got together at Milan and organized a company to supply electric power in a certain district in the north of Italy. They went to the Banca Commerciale Italiana to get the capital.

After they had stated their case and shown how profitable the enterprise would be, the bank official said: "We shall be very glad to finance the scheme."

"Good!" replied the promoters. "How soon can we get the money?"

"Have you arranged to get your electrical machinery?" asked the banker.

"We have made a very excellent contract with a French house," answered the spokesman.

"I am extremely sorry to hear this," retorted the banker. "In that circumstance we cannot let you have the capital."

"But why?" asked the promoter.

"Because we never lend money to electrical enterprises without providing the electrical machinery ourselves," was the explanation.

The promoters had to have the money. With it was a string that tied up a contract with the A. E. G. for all the machinery needed. German capital is always exacting.

In this episode, which I could duplicate by the score,

is revealed the secret of the influence wielded by the Banca Commerciale Italiana. What was true of the electrical industry was true of nearly every other industrial enterprise. When the bank did not lend money it obtained voting control by paying a certain sum to represent individual stockholders at directors' meetings. Thus corporate plans and prospects became an open book. The Banca Commerciale Italiana had its finger in every business pie; to every loan it made was attached some reservation that produced business for German firms and put money into German banks and German pockets. Alongside its activities the Standard Oil Company in its palmiest days as trade autocrat was an innocent child, while the so-called American Money Trust, with its system of interlocking directorates, was nothing less than an altruistic institution.

The control of the electric industry carried with it a peculiar prestige. Italy has no coal mines. Even before the war the problem of fuel supply was difficult. Now it is acute. The industries of the country had to turn to water power. Under normal conditions Italy has has an estimated total water power of nearly five million horse power. The Germans began to exploit it, and for a variety of reasons: First of all, it meant the employment of German electrical machinery; second, it enlisted German engineers; third, and more vital to Teutonic trade ambition, the more independent Germany made Italy of British coal the greater would be Italy's dependence upon the output of German forges and factories. With the Banca Commerciale

Italiana to finance, and the A. E. G. to provide equipment, the drive to establish and develop water power succeeded admirably.

The first sign of industry that I saw when I crossed the frontier from France to Italy was an electrical power station in the Alps, equipped with German machinery, generating power through German wire and on iron posts made in Germany. It told the whole story. Though the Germans were nominally gone, their works remained behind.

Electric-power control gave Germany still another vital weapon. When you sell electricity you have access to every man's house. This means that the agents of the Electric Trust had the complete and undisputed run of the country. Arsenal, fortress, factory and home alike came under the scrutiny of German commercial development, which was the full working partner of military ambition.

I can give you no more convincing evidence of the completeness of the espionage system before the war than to repeat what an Italian officer, recruited from industry, told me at Udine, the charming little town in the mountains which was once the general headquarters of the Italian Supreme Command. Summed up it was this: Ninety-five per cent of the electric horse power in the province of Venetia, which touches the Austrian frontier and which subsequently became the line of attack at the outbreak of hostilities, was in German hands. Before a blow was struck the enemy knew every square yard of land and had in its pos-

session the plans of every structure of the slightest military importance.

The Banca Commerciale Italiana did its job thoroughly. It not only influenced politics but reached out and annexed the press. Read any account of the Germanic commercial invasion of Italy—and I refer you, for example, to a chapter in William K. Wallace's *Greater Italy*—and you will see how easily it was accomplished. Every one of the corporations controlled by the bank was compelled to take a definite share of the capital stock of newspapers or periodicals in the vicinity in which it operated. This established one sort of control. In addition, many publications received subsidies from business in the form of advertising contracts. Certain German industries in Italy had their own journals. When an Italian bank or an Italian corporation so far forgot itself as to venture on its own, this venal and subsidized press let loose such a torrent of criticism and abuse that it was almost glad to be assimilated on any terms.

Italy realized her serfdom, yet was helpless. Long before the war began Preziosi, one of the foremost Italian writers on economics, in commenting on the dictatorship of the Banca Commerciale Italiana, made the following statement in his standard work on the German conquest of Italy:

"The great calamity of Italy is that this bank not only controls the navigation companies, the metallurgical and manufacturing industries, but likewise the greater part, if not all, of the industrial enterprises which specialize in the manufacture of armaments.

This explains not only the power of the bank, but also its policy.

Such was the power of the Banca Commerciale Italiana. From it radiated the influence that molded public opinion and shaped industry. If the German Ambassador to Italy had actually made his headquarters within its walls he would have had a fitting background for his labors. It was the real embassy, because it deployed dollars instead of diplomacy.

I went to Milan to see this one-time financial octopus whose tentacles reached, and still extend, throughout all Italy. Its magnificent building broods like a medieval palace over the Piazza de la Scala. It has a picturesque setting. In front looms the statue of the great Leonardo da Vinci. On one side is the famous Scala Opera House with its rich traditions of art; on the other, by curious irony, is the Municipal Palace of Justice. Like the Bridge of Sighs at Venice, it has "a palace and a prison on each hand."

Otto Joel no longer sits in the seat of the mighty—he died in 1916; but in his stead reigns Guiseppe L. Toeplitz. He is self-made, like his predecessor, for he rose from an obscure clerk to be the successor of the financial dictator of Italy. Though born in Riga he speaks English with a German accent.

"Is the German influence out of the Banca Commerciale Italiana?" I asked him.

"Yes," he replied; "the German stock ownership has been reduced to considerably less than a million dollars. We have only Italian directors now."

"Will the Germanic influence return to Italy?" I continued.

"It all depends upon what the United States and England do," he responded. When I pressed him for an explanation he said: "After the war Italy will make a tremendous effort to increase her industrial production. She will need capital. The nations of Europe will have great war damages to repair. America, with her vast resources, will be better able to lend than any of her allies. No other country has such intimate and continuous relations as Italy with the United States, due of course to the number of Italians who have gone to America. This has brought about sympathy and solidarity between the two countries. North American capital therefore will not only find a ready and profitable investment in Italy in aiding the economic development, but it will be all the more welcome because the United States enjoys the widest political liberty, and therefore in investing capital abroad she will have no political aims. If American and British capital does not come to Italy, very naturally other countries must help in the reconstruction.

"As the world center of commerce has now shifted to the United States, the Banca Commerciale Italiana has established an agency in New York to assist in the numerous questions of supply, transport and finance involved in the unprecedented intercourse between the United States and Italy."

Mr. Toeplitz showed me the bank, which is as big and as imposing as the National City Bank in New York. Gone was the small army of German clerks

who once sat under its massive roof. In their stead work Italians and Swiss. With great pride the managing director told me that the bank had its own electric plant. In a country like Italy, where electricity is so common, there is no remarkable installation, but it took on a peculiar significance when he said "We are independent of any mob."

Let us now go back for a moment to 1914 and to the day when Joel was enthroned and the German sat in the economic saddle. This commercial autocracy was merely one cog in a many-sided machine. An incessant propaganda was in action that reached everywhere and touched everybody. The Socialists and the Pacifists were geared up to the game. It is a curious fact that the more you study German propaganda—and during the last three years I have investigated it in eight different countries—the more you find that it always tries to coddle the peace lover.

What Germany did in Italy she duplicated in varying degrees in Turkey, Belgium, Bulgaria, England, France, Brazil and elsewhere. To economic penetration was joined social relationship. It was an almost irresistible combination.

Then came the war and Germany's frantic efforts to keep Italy neutral. Never was a nation so beset. More than eighty thousand Germans lived within her borders—nearly all intimately connected with her business life. Most of them spoke Italian and, following the traditions of social penetration, had intermarried into Italian families. Italy was still hypnotized with admiration for German efficiency, and looked

upon Germany's army as a model of organization. It was only when she saw the madness that raped Belgium and perceived the insanity that murdered the Lusitania that she realized that the nation that had done these things would stop at nothing to gain its end. Yet she was bound hand and foot to this modern war-mad Machiavelli! It was a terrifying situation.

When she took stock of it she found that products like iron, steel, textiles, hides and leather, which she could well produce herself, had been driven from the market by German goods. Her merchants who dealt in highly competitive articles like typewriters, sewing machines and bicycles had grown accustomed to long German credit or to having large stocks shipped on consignment and only paid for on actual sale. The banking system was under the thumb of the Banca Commerciale Italiana and, though it spoke Italian, was Germanic in scope and procedure. In other words, Germany was the staff of business life. What was Italy to do?

I need not rehearse how she went to war on the instalment plan, first with the hated Austria and later with Germany. Even at war Germany got the best of the economic deal, as this incident will show: When Italy and Germany broke off diplomatic relations the Kaiser was eager to protect the vast Germanic interests in Italy. At that time a number of highly skilled Italian artisans lived in Germany. By a special treaty—"made in Germany," I might add—the Imperial Government agreed to pay them pensions for the duration of the war on the condition that Italy would

not sequester German property in the Italian kingdom. How foxy was this arrangement is evidenced by the statement made to me in Italy that in exchange for pensions which would not exceed \$2,500,000, Germany got protection for approximately \$800,000,000 of property!

III

Though it lacerated the business body, the war brought its compensations. Just as it taught England the supreme lesson of thrift and conservation and galvanized France into a fresh productive power, so did it put the spirit of industrial independence into the heart of Italy. "War was kind."

Even while Germany was both economic master and taskmaster, Italy had begun to rebel against the Teutonic tyranny. Throughout the kingdom untrammelled industrial enterprise—of, by and for Italians—sprang into being. This really national industry was fostered by a group of resolute and big-thinking men who regarded German economic penetration as a curse and the prosperity it begot as little short of prostitution. These were the men—and you shall now know some of them—who in their industrial patriotism enabled the nation to go to war. Likewise they laid the corner-stone on which the new Italy is being reared.

Italy, as you may remember, did not go to war with Austria until ten months after the great European conflagration started. One reason was the very considerable body of opinion in the kingdom which was favorable to Germany and which resented dislocation of the close economic bonds. The other was that Italy was not ready for war. She saw England dashing into hostilities almost overnight, ill-prepared and confronted with the monster task of providing equipment

and armament at breakneck speed. Britain, however, was a huge workshop, backed up by worldwide imperial resources. Italy was anything but a machine shop. Besides, she had no coal, and up to that time had been almost entirely dependent upon Germany for her mechanical equipment.

Without genuine industrial patriotism, which now vied with the war spirit, she would have been compelled to remain in bondage. The moment that Belgium was defiled that part of Italy courageous enough to defy the German industrially in peace turned grimly to the job of making ready to defy him in war. The wheels began to hum and they sang a new hymn of hate. In Turin, Milan, Genoa—the old citadels of German power—Italian industry leaped to the work of regeneration.

Let me now reveal in terms of men and achievement the industrial hope of Italy—bulwark of the new order. You will see that, as in France, a whole new race of self-made captains of capital had been created—the Latin prototypes of the Carnegies and the Schwabs of America, the Bessemers and the Hadfields of England and the Citroens and Mayens of France.

Chief among the industrial stalwarts is Pio Perrone, who is the Krupp of Italy—head of the great Ansaldo Munition Works near Genoa. This monster establishment had an interesting evolution, first because it was one of the pioneers launched without German aid, consent or capital; second because, by a curious circumstance, it was founded by two British engineers as a workshop to repair locomotives used on the

Italian railways. For years it was operated by the Armstrongs of England.

One day the wide-awake and equally wide-visioned Pio Perrone, aided by his brother Mario, acquired a financial interest. They were engineers who believed in Italy for the Italians. They brought in undiluted Italian capital and surrounded themselves with Italian experts. Before long they were in active competition with Krupp of Germany and Vickers in England. The one-time repair shop expanded into a mighty plant that builds battleships, cruisers, destroyers, field artillery, machine guns and motor cars.

When Prussianism ran amuck in August, 1914, the men who conducted the Ansaldo works did a fine and patriotic thing. They knew that Germany would employ every effort to keep Italy out of the war, and they also knew that sooner or later national self-respect would dictate a rupture. Without government contract or government subsidy they started to do their part in making Italy ready. Realizing that the inevitable war would strip Italy of her men, they broke all Italian industrial precedents and hired women workers. During the ten months that Italy was neutral the Ansaldo works built more than a thousand guns of all kinds and laid down and partly completed a small fleet of warships. Most important of all, they pointed out to the government that, whatever contingency might arise, Italy had one industrial asset to hurl into the breach.

When Italy did declare for honor the Ansaldo organization was placed unreservedly at the disposal

of the government. Its thousands of trained men and women workers became the instructors of the hundreds of thousands of others inevitably drawn into the work of war. Thus the Perrones were not only patriots but teachers.

Go to the Ansaldo works to-day and you think you are in Homestead or Bethlehem, Pennsylvania, but with this difference: Just beyond stretch the blue, sun-kissed waters of the Mediterranean, whose smiling serenity is in striking contrast with the titanic energy that shakes this vast industrial city. The smoke that trails from its myriad stacks is the battle flag of the reborn industrial Italy risen in protest against German aggression. Into those majestic waters where once the argosies of other days sailed forth under silken sails you behold grim gray war vessels sheathed with steel slipping down the ways. It typifies the transformation of Italy.

Dominating the whole Ansaldo establishment is the lean Latin whose energy is limitless. When Italy takes her new place among the nations Pio Perrone will be one of her leaders. Full brother to the Ansaldo works is the Fiat establishment at Turin. Here you have another one of the miracles achieved by the independent industrial Italy. It is a wonder tale of development.

Fifteen years ago three men of Milan, all Italians, set up a modest factory with a capital of exactly \$5000. One was a cavalry officer; the second was an engineer; and the third was a practical man of affairs. That small establishment was the nucleus of what is to-day

the largest automobile factory in Europe and what is in some respects the most remarkable example of industrial self-sufficiency in the world. The Fiat factory makes its own steel, bronze and brass. In other words, all that it requires from the outside world is the raw material. The organization inside does the rest.

Like the Ansaldo company, the Fiat people prepared for the war. When the alarm sounded they had a huge fleet of vehicles ready for service. This is why Italy has been spared all the difficulty and detail that made England's war-mechanical-transport job so complicated. She was able to adopt a standardized motor truck with easily replaced and interchangeable parts. It has been an inestimable help to the war machine.

The Fiat factory is animated evidence of the fact that Italian industry knows how to speed up. When the first great Italian offensive was launched the Director of Transport of the Italian Army sent an urgent wire to Turin saying that he needed five hundred and fifty automobiles in a week. This is an order that would have been a facer for any highly standardized establishment in the United States; it was a staggerer when you realize that it was for big trucks and high-power, expensive cars. The factory, however, met the emergency, and the vehicles were delivered on time.

Reflecting the new spirit of independent Italian industry is the house of Pirelli, which has developed a productive empire all its own. It unfolds still another romance of self-made success. In 1872 G. B. Pirelli,

an electrical engineer, won a scholarship at the Polytechnico of Milan for the study abroad of new industries for Italy. It was prior to the advent of Teutonic economic penetration.

Pirelli had a big vision. He saw the rubber industry jealously guarded. It was an opportunity for pioneering. With a borrowed capital of \$35,000 and with twenty workmen he established a plant at Milan. He imported from France a rubber expert, the proprietor of a small workshop in the suburbs of Paris which had been destroyed during the Franco-Prussian War. After a succession of precarious years which tested ingenuity and resource, Pirelli, now aided by his two sons, Piero and Alberto, definitely established a rubber industry in Italy. It was rapidly expanded so as to include elastic thread, insulated wires for field telegraph, cables and accessories.

When the Italian Government decided to link the lesser islands with the mainland by a submarine telegraph cable, the Pirellis undertook to supply, lay and maintain these cables, and took the business from the British bidders. They erected the first Continental factory for the manufacture of submarine cables at Spezia and built a cable-laying ship, the *Citta di Milano*. Since that time the firm has been conspicuous in the submarine-cable industry, maintaining the old lines laid down in the eighties and opening up new ones. It was the Pirellis who linked Italy with Libya. When the motor age dawned they took rank with the arbiters of the European rubber-tire business. Having

been extensive manufacturers of bicycle tires they were able to meet the demands of self-propelled vehicles.

To-day the Pirellis regard the world as their field. Their four works in Italy are located at Milan, Spezia, Bicocca and Vercurago; they have a branch at Southampton, England, and still another near Barcelona, in Spain. Altogether ten thousand men and women are in their employ. I can give you no better notion of the extent of their industry than to say that when I was in Italy last autumn their daily output was 5000 pneumatic and solid tires, 1200 kilos of electric wires and cables a day. Each year they produce 3,000,000 square meters of proofed cloth. That the new Italian industry is alive to the needs of the future is attested by the recent setting up by the Pirellis of a laboratory of chemical and physicochemical research to be devoted to the scientific study of all problems related to their business. It is like the Institute for Research established by George Eastman at Rochester. It is charge of Professor Bruni, of Milan University, one of the most distinguished Italian scientists of the day.

At Milan I talked with Alberto Pirelli who is of the same virile industrial mold as Pio Perrone. I asked him what he thought of the future of Italian industry with special reference to American coöperation. He replied:

"The industrial bane of Italy has been German economic penetration. We can shake off the fetters if England and the United States will help us. Without that help Italy will again be doomed to Teutonic control in the future. If America makes a favored-

nation treaty with us, gives us the raw products of her furnaces, we can defy the German. It is for America to decide whether she will be with us or against us. Italy will welcome her aid in peace just as she rejoices in it in war."

In the Ansaldo, Fiat and Pirelli works, and in the others that I could describe, you see the defense that Italy is rearing to resist future German trade assaults. These huge fortresses of industry have pointed the way for the lesser ones. In Genoa, Milan and Turin—the three great industrial centers—the small manufacturer is springing up. It is the sum of the small savings, that becomes the backbone of any nation whether with finance or industry. Italy is fortifying herself with this asset.

Nor is Italian resource lacking. Here is an episode that happened before the war which shows that the Latin can hold his own with the German if he tries. Roused by the development of the cable industry in Italian hands, the Germans started their usual dumping and price-cutting tactics in Italy. The director of the greatest Italian cable concern at once retaliated. He had already developed some business in Germany. He now fought the devil with fire by inaugurating such a price-slashing campaign in the enemy's country that he protested, whereupon the Italian manufacturer said:

"If you will stop cutting prices in Italy we will do likewise in Germany. If you do not we will continue to slash prices until Germany will get our cables almost

for nothing." The Germans ceased their destructive methods in Italy at once.

Italian industry is learning the lesson of organization. Range up and down the kingdom and you will find a wool association, a cotton manufacturers' league and a sugar refiners' society in the South; an electric-light producers and distributors' association, a silk federation and a metallurgical league in the North. These organizations have grown up despite the German. Before the war the Teuton was wise enough to encourage them because he was often able to effect control and use them for his own ends. When Italy went to war, however, the organizations were purged of the Teutonic taint. The aim will be to keep the bars up. In these groups lies the real salvation of Italy.

Throughout the kingdom youth is coming to the fore. You must know Italy to realize the extraordinary revolution that this implies. One drawback in the government for years was the incubus of age. At forty a man was considered much too young for public office. No Italian could sit in the Italian senate until he was in his forty-first year. Most of the statesmen of authority did not "arrive" until they were old men. The cabinet, with few exceptions, has always been composed of graybeards. This adulation for the venerable so far as leadership is concerned has gone into the scrap heap of war, along with many fetishes. The new Italy will be ruled by young men of the type of Perrone, Pirelli and Marconi.

The inventor of wireless is one of the examples of the transformed Italian. The world in general and the

German in particular looked upon Marconi as a dreamer of scientific dreams, more content to toy with the test tube and experiment with a battery than to create industrial enterprise. But it was Marconi, with a group of associates, who started the Banca Italiana di Sconto at Rome, which now competes with the Banca Commerciale Italiana. It is the underwriter of the Ansaldo plant and is reaching out in other commercial directions.

Italian cities have become infused with the new spirit of independence. Take Milan, the hub of the North. She is the real live wire among Italian municipalities—a dynamic cross between Pittsburgh and Chicago. After you have inhaled the sleepy air of Rome, heavy with the dust of ruins, and then breathed the zippy atmosphere of Milan you feel as though you had come into a new world of thought and action, charged with American pep.

In 1913 if a stranger asked a passer-by in Milan if he were on the right street the chances are that the Italian would have replied "*Ja*"—which is German for yes. It was instinct with him, because he was so accustomed to being addressed by German salesmen and German tourists. To-day your courteous Milanese is more apt to answer with the Italian "*Sì*"—yes; or, as I discovered more than once, in perfectly good English.

No phase of Italian reconstruction is of such significance to the United States as the censorship of immigration which has practically gone into effect with peace. We have used millions of Italian laborers on our highways and transportation projects. In Italy

as elsewhere wages have gone up. The thousands of able-bodied men who went home to fight will find it attractive to remain at home.

An eminent Italian economic statesmen made the following statement:

“For years after the war Italy will need her laborers as never before. She will never tolerate such an unrestrained exodus of her workers as took place before the war. We have no desire to handicap America in any way, but we propose to make labor in Italy so interesting and profitable that the Italian will have no wish to go elsewhere.”

Labor therefore is one of Italy's trump cards when peace comes. Another advantage lies in her unemployed water power, which will be harnessed, so far as possible, under national auspices. The so-called Bonomi Law calls for compulsory water-power development. With an intensive production of “white coal” she will not need so many millions of tons of black from the outside. Italy, like England and France, is inoculated with self-sufficiency.

Many obstacles, however, lie in the way of ultimate Italian freedom from German economic bondage. It was comparatively easy to cleanse the stables during the war; it will be a much more difficult matter to keep them clean now that the war is over. Take the agricultural output of Southern Italy. Before the war a large part of it went to the Central Powers who were ideal customers because they were near neighbors and practically non-producers of lemons, oranges, olives, grapes, mushrooms, dried fruits and kindred products.

To haul it, a compact and economic railway traffic representing seventy-five per cent of the transport of Italy's agricultural products beyond the Alps had been created. To wipe it off the trade map means the establishment of a whole new system of transportation. Where will it lead?

Again, on account of the high sea freights that prevail Germany will be a much cheaper source of coal for Italy than either Great Britain or the United States. These isolated instances—I could present many more if I had the space—show that in addition to the supreme advantage of proximity Germany will have many others born of immediate necessity and the old relationship. They will help her to come back economically much more readily than her enemies are willing to admit.

Already England has put in a strong bid for the rôle. The British-Italian Corporation in London has a branch in Italy called the *Compagnia Italo-Britannica*, fathered by the *Credito Italiano* of Milan; which means that it has the ear of the most influential industries in the kingdom. The London and South-western Bank and the *Banca Italiana di Sconto* have organized the *Anglo-Italian Syndicate, Ltd.*, with a capital stock of \$250,000,000. In addition, the London City and Midland Bank is planning a series of branches in Italy. Over all this hovers the *Anglo-Italian League*, whose object is to foster trade relations between the two countries.

France, too, has entered the Italian game in a big way, for the old animosities are wiped out. Under

the auspices of the Banca Commerciale Italiana the Franco-Italiana Industrial Union has been formed to develop trade opportunities.

What part will America play in remaking the Italian trade map? The ground for the new commercial kinship is already broken. Italy wants close commercial relations with us. The ill-will engendered by President Wilson's attitude in the Fiume matter was directed mainly at our Chief Executive. Thus desire, one of the first requisites in scientific salesmanship, is established.

But we cannot develop Italian trade in a big and permanent way without knowing the Italian. We have made the same mistakes about Italian business that we made about the Italian himself. Many American exporters shy at shipping goods to Italy on credit. No error could be greater. Italian commerce is so straight that it almost leans backward. The law makes the merchant honest no matter how he feels about it.

Italy, for example, has no fraudulent bankrupts. If a man avails himself of legal escape from debt, the courts mercilessly probe the proceeding. Bankruptcy is akin to disgrace. More than one Italian has committed suicide after going into bankruptcy. An Italian firm's ledger automatically becomes a court document subject to periodical scrutiny. If a merchant falsifies his accounts he is liable to imprisonment for forgery and perjury. Our court-conducted evasion of financial obligations is much easier.

In Italy a man's life is an open book from the day of his birth.

With the Italian merchant, as with the French, the uninformed American exporter has made the same common mistake that has prejudiced so many foreign concerns against us. Here is a case in point: An underwear house in New York sold a bill of goods to a storekeeper in Milan. He ordered from sample and the firm's agent demanded that the draft be attached to the bill of lading. The buyer refused to agree to these terms, on the ground that the shipment might not be up to the sample.

"But you know our name," said the salesman.

"Then I suggest that you find out something about mine for a change!" said the indignant Italian as he canceled the order.

The Italian is more difficult to deal with than the Frenchman because he is sensitive, more suspicious and a keener bargainer. He has learned efficiency from the German, and therefore he is no amateur in trade. He must have long credits because he in turn is required to carry his customers over considerable periods. He reluctantly gives credit information about himself, but once having given it you can almost invariably bank upon its accuracy. From long contact with Teutonic purveying to every individual need, he expects others to do likewise.

In doing business with Italy it must be borne in mind that, unlike South America, it is an old country, set in its ways, and therefore difficult to develop.

Many American business men fail in Italy because they are too impatient. Though the North does not follow the Roman rule of "Why Hurry?" long and

costly experience has discovered that the swift and galvanic selling method does not go. Like the Frenchman, the Italian must be cultivated. His pride must be considered.

The late J. P. Morgan once found this out to his chagrin. He heard that a certain collection of enamels, objects of art which he greatly admired, was owned by an old and comparatively poor man. He went to see him, and without any preliminary asked in his blunt way: "How much do you want for your enamels?"

"I have no desire to sell them," said the Italian.

"I didn't ask you if you wanted to sell," replied Mr. Morgan; "I asked you how much you wanted for them."

The old man looked at him for a moment and then replied:

"All your money could not purchase my collection. Good day!"

That ended the episode. The moral of the tale is that if you want to do business with the Italian coöperate with him. Clash means failure. In time you find that he is readily adaptable, but you must adapt him in his own way.

What does Italy need that the United States can supply? First and foremost is capital. If the kingdom is to free herself from German economic control after the war she must have money with which to develop her water power, electrify her railroads and expand her shipping. American money will be all the more welcome, because, unlike the German, it is not political and makes no drastic exactions. We can emulate

England with our loans and stipulate that the proceeds be spent on American goods or machinery.

Italy offers an immense field for a varied industrial development. The South, for example, drips with lemons; yet there is not a single citric-acid factory. Sardinia is one huge, practically untouched mine of mineral deposits.

Italy will require immense quantities of raw materials for her largely increased manufacturing interests. She will also be in the market for American shoes, typewriters, manufactured food products, low-priced automobiles and motorcycles, farm implements, machine tools, ready-made clothing, toilet articles, furniture, office equipment, boots, woodenware and lumber. I cite lumber because, owing to the coal famine during the war, the country is being denuded of its forests.

America can enter this domain by four methods: Through branch houses—affiliated branches working independently of the main house; through a general agent for the whole country; through a chain of local agents; or by direct sales to wholesalers or retailers in the kingdom.

Already one useful trade outpost has been established in Italy in the shape of an American bank. It is located at Genoa, has a pretentious office in Milan, and is a branch of one of the greatest of all Wall Street's financial institutions, which has already established itself in Russia, England and South America. It does a general banking business and furnishes credit and trade information.

A second aid is the American Chamber of Commerce for Italy at Milan—a definite, going and helpful concern with 515 members, including 420 Italian firms, 35 American firms established in Italy, and 60 in the United States.

If America is to establish an adequate commercial relationship with Italy she must reckon with a strong German opposition. The flare-up about Fiume was cunningly capitalized by Germany to her advantage. The moment that President Wilson took his strong stand against the Italian absorption of the Adriatic port the Teutonic press agent immediately said: "Germany is your only friend." Millions of Italians accepted this as gospel truth before the war; they are disposed to believe it now despite the downfall of that one-time proud and imperial Germanic structure.

VII—*Can Germany Come Back?*

I

CAN Germany come back? This is the question that leaped to the lips of the world on that historic anniversary of the sinking of the Lusitania when the peace terms were handed to the Teutonic delegates at Versailles. Never in the history of war has a nation paid such a penalty for lust and brutality as is justly exacted in that declaration of universal economic stability.

Although the Peace Treaty literally strips Germany to her foolish hide, subtracts six millions of people from her population, puts what amounts to a permanent mortgage on her future earnings, slices off an area that would make a creditable principality, and reduces her to a fourth-rate military power she still has tremendous recuperative powers. All future trade safety depends upon how long Germany remains curbed.

Any estimate of the Teutonic ability to recover must be prefaced by a swift survey of the Germany that was. Forty-eight years ago an empire of blood and iron emerged triumphant out of the crushing defeat of France. It was consecrated to one kindling ambi-

tion, which was to have and to hold a place in the world's trade sun. That desire was realized.

I can best illustrate the keynote of this extraordinary expansion by repeating a story told me in Paris last summer by a distinguished American who was received in audience by the ex-Kaiser back in 1912, when he was then at the crest of his power and popularity. The conversation between this American and Herr Hohenzollern turned on the English hostility toward Germany—then a timely topic of conversation in that country. The duel of naval armaments had been on for some time, to the particular grief of the German pocketbook.

"Do you know what is the matter with England?" asked the former ruler of Potsdam.

"No," was the New Yorker's tactful reply.

"It's 'Mig,'" rejoined the Emperor with a knowing smile.

The American looked somewhat surprised and answered: "I must confess that I do not follow you."

The now dethroned All-Highest smirked and then proceeded to explain as follows:

"'Mig' stands for 'Made in Germany.' Every Englishman sees it in the morning when he shaves himself with a German razor. He cannot travel to his office or do his day's work without using something that Germany manufactures. England is suffering from too much German enterprise."

What the discredited master of militarism said that day was quite true. Yet the stamp Made in Germany, which was the hall mark of a proud prestige, was like-

wise the root of the German undoing. It led her production to over-reach itself, and therein lay the real reason for its fall. It took the Germans four years to realize the bitter truth that they could have accomplished the peaceful trade conquest of the universe if they had only kept the dogs of war leashed. Germany's mistake was that she could not leave well-enough alone. Her peaceful penetration, as everyone knows, had fastened its hooks into every trade body; the sun never set upon her banks, her ships and her salesmen.

Germany progressed not only in terms of geography but in terms of goods. England acquired colonies and left their development to individual enterprise and initiative. Germany, on the other hand, colonized and did the developing herself. From the dawn of her empire the government was full partner in every German overseas enterprise, the glorified inspiration and accelerator of business. No community and no trader were too small to be cultivated. It was the aggregate of small accounts, garnered throughout the world, that made the sum total of the German widespread trade strength. In this the German was wise, because, as any comparison between German and British trade accounts will show, the percentage loss among the former was so small, with the possible exception of Japan, where she plunged heavily before the collapse of the boom in 1906, as to be almost trivial when you consider the gross volume. This systematic and efficient colonization would have literally sewed up the markets of the universe, and no one, not even England, would have had any considerable look in.

Germany was the economic master of Italy; she dominated Russia; the Berlin to Bagdad Railway was the key to the treasures of the East; Belgium, Sweden, Spain and Holland were commercially plastic in her hands; England's complacency had made her an easy victim, and France, despite the resentment over the loss of Alsace-Lorraine, was flooded with Teutonic goods. In South America and South Africa she was making hay while the business sun shone, and in the United States Kultur could do no wrong. Thus Germany had everything coming her way. Trade nature, like human nature, is prone to follow the line of least resistance. Germany would undoubtedly have found herself commercial mistress of the globe in the natural course of events. But she went too far and paid the price of her folly.

The bulwark of German world trade might was a Junkerism no less potent in creating commerce than in framing up war. The nerve center of the Teutonic business adventuring was not the Kaiser, as many have been led to believe, but the Pan Germans, whose real headquarters were in the German Foreign Office in the Wilhelmstrasse. The Kaiser believed what the Prussian business barons told him—Ballin admitted this shortly before his death—and he really acted as exalted mouth-piece and press agent. It is no great secret that W. Hohenzollern was himself subsidized by German commerce in precisely the same way that the government endowed business. He was a large stockholder in Krupps; in the Potash Trust; in the A. E. G.—the German electric-machinery octopus; and in both the

great navigation lines—the Hamburg-American and the North German Lloyd; he played no favorites when it came to the box office. Under his royal hot air German business hypnotized itself into the belief that it was invincible, that it was only necessary to clinch an international triumph by the waging of a successful world war. Besides—and it is an interesting side light on the causes of the stupendous struggle—the army looked with envy upon its full partner, business. Trade was getting all the action and the acclaim. The helmeted and spurred gentry needed some real exercise.

Germany got what she was looking for, but without the result she anticipated. The myth of German might was shattered; the much-vaunted partnership between the Kaiser and God proved to be a fervid piece of imagination. Despite this disillusion, and though the German fleet is dissolved, the U-boats safely tied up in British harbors, and the German Army scattered to its disillusionized homes, there still remains the genius of thrift, concentration and organization which made Germany industrially great. It is with this genius that the world must now reckon.

Can German business recover in the face of defeat and without the subsidies, colonies and other incentives that bulwarked it before the war? Can it stand up against the ill will of a whole world now wise to the hypocrisy and cruelty that lurked behind its astonishing development?

No matter from what angle you examine the prospects of German economic rehabilitation, one thing is certain: The eagerness with which the late Imperial

Government literally begged for an armistice indicated that conditions were worse than we thought. For three years—as a direct result of much observation in Europe, particularly in the neutral countries that bordered on Germany, with whom she was in daily social and commercial communication—I believed that no matter when the war ended she would turn swiftly to recovery. The unexpectedness of her collapse changed my point of view considerably, but only to the extent that the restoration would take longer than the original estimate.

I am still convinced that there is a good deal of camouflage in Germany's protests about economic disintegration and the inability to make adequate restitution for the horrors and humiliations that she imposed upon the world.

Keep in mind the fact that the German workman and not the German war god dictated the surrender. Economic peace was the first consideration. The imperialized industry which made the disguised Germany of other days a superforce will dictate regeneration. No matter whether she becomes one republic or a group of thinly veneered and equally unrepentant democracies her struggle for existence and recuperation alone will swing Germany back to some degree of prosperity. Furthermore, if definite and permanent curbs in the shape of rationed materials, restricted use of the world's highway of traffic and, most of all, the full glare of publicity on all her overseas activities are not placed upon her new expansion she will make a surprising come-back.

II

Let us now see just what the possibilities of German recovery are. This examination naturally reveals two phases: One includes the constructive lessons learned during the war and the various assets with which the nation faces the future; the other is the roll of handicaps under which Germany, stripped to her unashamed self, will labor in the eyes and the markets of the world.

Any estimate of the assets with which Germany initiates reconstruction must begin with industry. The foundation of her one-time world trade was a vast export in manufactured articles. In 1914 her foreign business amounted to \$5,000,000,000. During the war this dwindled to almost nothing. From 1914 until 1917 the empire was able to carry on a nominal trade with Scandinavia, Austria and Turkey. During the last year of the war, however, self-preservation dictated an almost complete concentration on national defense. All this means that so far as world trade is concerned Germany will have to begin all over again. In some respects she reverts practically to her status of 1871, when the whole era of her modern expansion began.

Between 1871 and 1914, the whole close-knit, highly organized and government-endowed industry was reared. This industry, instead of being paralyzed by the strain of the war and the shock of defeat, is in

reality more intensive, and therefore more efficient, than ever before. Moreover, this vast productive machine stands intact. Except in that comparatively small area bordering on the Rhine which was bombed during the last three months of the war not a single German factory has been damaged. The war taught Germany the meaning of a super quantity output as never before. While British guns were being rationed in the first twelve months of the war the German artillery literally rained projectiles simply because the shell factories and the industries of peace knew the formula of vast output long before the world saw red. Hence, given even a moderate supply of raw materials plus the genius of substitution, which was second nature in Germany long before the invasion of Belgium, German production will catch its stride.

The keynote of the whole German commercial expansion before the war lay in industrial foresight. I might paraphrase a famous maxim by Pascal and make it read: "To foresee is to sell." While the rest of the world, to employ the happy phrase coined by Henri Hauser, the French economist, suffered from "economic myopia" Germany looked ahead. Every port, canal, railway, warehouse and factory that she constructed was capable of expansion. The British and French said it was a waste of money and energy, but somehow or other the German business always kept pace with this progressive development. Here you get the secret of the empire's ability to hold out during those four years of struggle. The productive organization met every strain of war. Being ready it did not

suffer the dislocation that upset British and French industry for a time. Physically it is equipped to do the same job in peace.

But the most powerful productive machine in the world is impotent unless it has the wherewithal to work and can turn over its output. First and foremost is the question of raw materials. I will go into two important aspects that bear directly upon Teutonic reconstruction. One deals with the great lesson of substitution that Germany learned during the war. The "iron ring" of the British blockade at once shut off the import of scores of essentials to manufacture, especially cotton, copper and rubber. To a degree not approached by any other nation Germany was able to create and devise substitutes for many of the needfuls. Life became one substitute after another. *Ersatz*—the German word for substitute—became the god that industry had to worship. There were substitutes for everything but human life and sunshine!

Let me illustrate with the case of cotton substitutes. The production of yarn made from paper from June 1, 1917, to June 1, 1918, aggregated 40,000,000 kilograms. At first the public declined to accept this substitute in place of the pure cotton thread. Necessity knows no choice. As soon as they began to use it they found that it was both cheap and practical. It could not be used for underwear and the better qualities of cloth, but it was successfully employed for workmen's clothing, table and bed linen, sail cloth, and even for the manufacture of substitutes for leather. This paper yarn was combined with wool and artificial wool in the

manufacture of outer garments—even overcoats. This industry reached such a point of development that the soldiers in the field, in the last months of the struggle, were equipped with these phony clothes.

I cite this really extraordinary example of substitution to show that the Germans, having learned to do without many things during the war, will be able to continue this abstinence during the years of reconstruction. It means that the country will have to import less and will be able, therefore, to sell more.

Right at this point it may be well to impress the fact that so far as any future trade with Germany is concerned it must be remembered that you cannot sell a nation without buying from it. This is one of the ironclad and uncompromising rules of international business. Coupled with this maxim is the second important consideration that, though the hand of the civilized and self-respecting world will be raised against her, Germany, despite the loss of the Lorraine iron fields, will continue to have certain valuable bargaining assets. For one thing, she has and will continue to have immense quantities of coal.

She still has vast coal deposits. During the war coal meant life, and the nations that had it wielded a power that was both economic and political. Germany, used her immense coal supply to browbeat the neutrals. Those neutrals will continue to need coal, and in exchange for coal concessions from Germany they will find the means to provide her with raw materials.

What most people do not realize is that during the past four years Germany has piled up immense quanti-

ties of raw materials in the neutral countries. In some of the preceding chapters I have pointed out how Germany piled up immense stores of cotton, rubber and metals in Switzerland and Spain. This immense mass of material is now available for conversion into merchandise which is already in competition with British and American goods in the neutral markets. If we do not protect ourselves adequately it will soon be flooding our own.

One of Germany's chief bulwarks of recovery, however, is Russia. Although the obscene treaty signed at Brest-Litovsk was abrogated at Versailles, the Teutonic grip on the Slavic underground treasure-house of minerals has not relaxed. Remember that there are two million Russians of German birth in Russia who not only continue to speak German but who are loyal to the country in which they were born. In addition there are six million Germans and Poles who speak German as the language of commerce and society. Although some of these have been withdrawn from German sovereignty their obligation to the Fatherland will not cease.

Moreover, Germany's industrial machine remains not only unimpaired but geared up to an efficiency and an output amply demonstrated during the war when they practically provided the entire munitions output of the nation. Her factories underwent no ravage nor did they suffer the ordeal of the hundreds of mills in France and Belgium that were stripped of their machinery.

Germany has the physical machine, and by hook or

crook she will manage to get a working amount of raw materials. What are her other industrial assets?

Heading the list must come her trained population, which in the last analysis is the backbone of any nation. Just as she conserved her artists, poets, musicians and scientists, so has she kept her industrial experts far from the firing line. If you know anything about German industry you also know that it resulted from a combination of professors and business men. Every factory had its staff of expert investigators who were content to work for a small wage in order to be called by what Germany considered the magic title of "Doktor." It meant a poor meal ticket but usually a little red ribbon in the buttonhole. That congress of imperial well-wishers is still going strong. It made the whole triumph of German substitution possible during the war, and it will devise ways and means to counteract whatever economic emergencies may arise now.

Though millions of German men have been killed the country still has her extraordinary reserve of trained and disciplined boys. One of the mainstays of the whole German industrial advance was the system of vocational education in the schools. Just as soon as a German boy reached the age of ten or twelve his life's occupation was determined and every hour of his work and play henceforth was shaped to that end. This is one reason why the poison of militarism, injected so early, became the national malady. Obedience was the watchword. "Unless you obey you will never command" always rose before the eye.

National policy dictated that heredity or talent be

capitalized to the fullest extent. The strong youth was booked to be a brewer, an iron worker, a carpenter or a mason; the frail youngster was trained to be a tailor, a bookbinder, a jeweler or a wood turner. In the same way the lad with weak lungs was kept out of the trades where he might inhale dust. The system was so perfect that a boy with inflamed eyelids was kept out of color work, just as his mate with perspiring hands was deemed unfit for fine metal work or lithography.

To be unskilled in Germany was and is regarded as treason. The German youth had to be developed for military service—"cannon fodder"—or to be a cog in the productive machine whose human output was no less imposing than its material. Germany could well afford to plunge the world into war, for the excellent reason that every year, thanks to a birth rate that was almost standardized like the industrial system, 800,000 pairs of tiny hands were added to the social fabric.

Before the war German industry had the vast stimulus created by the desire to rule the world. The lash that kept these slaves of power at the treadmill was the Pan-German autocracy, whose mouthpiece was the Kaiser. Concentrated authority will not crumble now that the war is over, no matter what camouflage of democracy will mask the real Germany. Many years ago Bismarck, who was the wisest of all the Teutons and who said that the Prussians were "a nation of household servants," made an illuminating remark which indicates that Germany, no matter what national banner she flies, will always remain subservient to organized and iron-handed rule. He said: "The German

has no loyalty to Germany as Germany. He must have some kind of autocracy to serve, some master to obey." The ex-Kaiser embodied it. Now that he is in the discard there will be a successor in the shape of a quasi-industrial monarchy which will crack the whip and the German worker will dance to the tune of the whirring wheels in every factory in the country.

Aside from any desire for restoration the German home demand will stimulate industry. German shelves are bare. The copper domes, the iron doorknobs, even the tablecloths were commandeered for war material. Handkerchiefs and bed sheets were rationed, so scant was the supply. All this must be replenished. I was told in Switzerland that the German after-the-war needs will mean an expenditure in one way or another of \$7,000,000,000.

To renew the supply of one article of women's underwear Germany will require the total output of all the Swiss factories for four years.

Behind all this is the spur of drastic nation-wide necessity. Indemnities must be paid, broken fortunes recuperated, battered pride and prestige restored. No people emerging from war ever had so great a stimulus for unremitting toil as the Germans. Being an orderly and disciplined people they will go back to their jobs; to the rut where the system placed them.

That order is expressed in efficiency. For years there was a huge spilling of words about German efficiency. The plain truth about it is that so long as it is let alone it remains a marvel of action and output. In reality it is a smug, unthinking thing. Throw a wrench

into the machinery and the whole structure goes wrong. A sudden problem would have the same effect. The German offensives during the war afforded striking illustrations. So long as the Great General Staff was able to launch and develop a carefully planned advance without distractions from unexpected quarters the even tenor of the German war way went on "as arranged." The moment that Foch issued that historic order "No quiet Fronts," the whole German system began to break down. The strategists got a bad case of nerves, and collapse followed.

III

One factor that favors German world rehabilitation lies in her remarkable ability to give trade what it wants. This is likely to help to overcome the inevitable prejudice against German goods. That the German is perfectly willing to give the customer precisely what he wants, no matter how it wounds his pride, has been proved innumerable times. An actual happening will indicate what I mean. Not so many years after the Franco-Prussian War, when the heart of France burned with bitter hatred of the Prussian, a merchant in Dijon gave a German commercial traveler an order for some mustard pots. He specified that they should be made in the form of pig heads wearing Prussian helmets showing the Imperial eagle. As a matter of fact he gave the salesman the order just to get rid of him. To his great surprise the consignment of articles arrived in due time made according to schedule. The German consul in Dijon saw one of these pots on the table in his favorite restaurant and made a formal complaint through the German embassy at Paris. Great was his humiliation when the report came back that the offensive pieces were made in Germany.

The German industrial machine is bigger to-day than ever before. It is due not only to expansion for war materials but because such colossal armament establishments as Krupp's, for example, are being turned to the arts of peace. Old Alfred Krupp would probably turn

over in his grave if he knew that the giant of destruction that he raised from infancy at Essen is making typewriters instead of guns; that Bertha Krupp, the one-time "Queen of Essen" and "Our Lady of the Cannon," is wondering how the profit on a sausage machine compares with the return on a case of six-inch shells.

Throughout the war the organization of German stock companies and corporations went on apace. In Bavaria alone, during 1917, fourteen companies devoted entirely to peace projects were incorporated, with a total capitalization of nearly 40,000,000 marks.

One aid to the new German industry is worth explaining. The moment we entered the war the German Government seized and appropriated the patents of every American article sold in the empire. What was the result? When I was in Switzerland I saw what seemed to be the perfect model of a certain well-known American typewriter. On examination I found that it was not only German-made but had been manufactured under a special license granted by the German Government. This license was not given to any one producer, but was and is accessible to every shop or factory in the country on the payment of five dollars for every machine made. The danger from this performance lies in the fact that now that the war is over Germany will try to flood the world—if she is permitted to do so—with these typewriters, which will be sold as the genuine American article. She is repeating the same procedure with cash registers, adding machines, automobile self-starters and other distinctively

'American articles that we formerly sold in large quantities everywhere.

Incidentally I might add that Germany has taken the same liberty with trade-marks that she took with treaties. For her they merely represent so many scraps of paper. In Holland, Brazil, Argentina and Chile she began to exploit so-called American tires after the war began—using the American names—and you may be sure that the habit will not stop at a time when she will resort to every known expedient to pay her debts and roll up a great volume of foreign business.

That Germany in the face of defeat began a whole new program for international trade may be proved by many things. I have before me as I write a circular issued by the Plauen Chamber of Commerce. It bears the date of August 1, 1918. Plauen is the center of the German embroidery and embroidery-machine industry. It is St. Gall's only rival. The Plauen products were sold throughout the world.

The Chamber of Commerce circular so completely outlines one angle of the new German world-trade program that I reproduce it in full as follows:

"1. The Chamber of Commerce is of opinion that the best weapons for the resuscitation of German foreign commerce will be found in German commodities. These will soon reconquer the old markets which before the war were dominated by German trade.

"2. German Chambers of Commerce should be set up in foreign countries as independent bodies, which should be free from government leading strings. Everything possible must be done to avoid the impres-

sion that these institutions are government organs; otherwise an insuperable obstacle will from the very first be placed in their path, since it may be assumed that the suspicions of enemy countries will continue after the war. The German Chambers of Commerce should be modeled on the English type.

"3. A great commercial periodical should be issued in the interests of German industry.

"4. German banks would be a considerable aid to German competition in foreign markets. These institutions should not be set up merely in a few foreign centers, but should rather form a net work of banks all over each foreign country, with a central bank, and branches in all important towns.

"5. The cinematograph should be utilized as a propaganda agency by German industry. Every important department of manufacture should prepare films showing its various processes, and laying stress on the economic importance of the industry in question for Germany and foreign countries.

"6. Preparations for an Export Directory should be taken in hand at once."

Plauen merely expresses the whole German trade feeling. The Foreign Trading Company, Ltd., which was set up in the Bureau of Economics in Berlin, is typical of the kind of organization that will direct and exploit the German overseas reconstruction. The object of the corporation as outlined in its circular is:

"To provide German industry and German trade with the possibility of participation in the revival of export business, especially to the countries hitherto our

enemies. The company has a semi-official character, and has been founded by great economic Leagues of Trade and Industry, of which the most influential have been the Control Union of the German Wholesale Trade and the Union of Exporters. The directorate will consist of eight representatives of trade and industry and eight deputy directors who will be named on the advice of the various trade leagues."

The German Chambers of Commerce have not been idle. As evidence of their enterprise let me say that four weeks after the Brest treaty had been signed they had established a sample exhibition at Warsaw for the purpose of fostering the interest of the Polish population in German products, and more especially to assist German exporters in meeting the needs of the near and far Eastern markets after the conclusion of peace. The Association of German Chambers of Commerce, whose headquarters are at Berlin, has opened offices in Petrograd, Warsaw and Odessa, where useful business information is served to Teutonic concerns.

One final fact will round out this brief summary of German trade exploitation: The German business eye looks hungrily at Mexico. In various German newspapers during the past year I have seen glowing accounts of the rich resources of our southern neighbor and the vast opportunity that they held out for German development. One paper made the point that during the war Mexico was compelled to get her goods from the United States. Then it continued: "This is only a temporary necessity. Mexico knows that her real

friend is Germany and will know where to turn when peace comes."

That Mexico was one of the nests of German espionage and propaganda during the war is of course well known. Undoubtedly Germany proposes to use the same base for an equally sinister commercial offensive in the future.

Despite the astounding disclosures of its ramified and underhand activities German propaganda has not ceased to exist. The moment the armistice was signed it turned full tilt to the task of trying to make out a case for the German commercial come-back, and to aid the discredited German industry in every possible way. No handicap is too great for the German propagandists to try to overcome. Just as soon as the American Army of Occupation crossed the Rhine it met a blast of their subsidized hot air. In this particular instance it took the form of protests that there was "never any real feeling of hostility toward the United States," and that "Germany looks to Wilson for a square deal." The Germans knew perfectly well that every American soldier represented a group of Americans back home, and if the soldier in Germany could be "sold" it would reach others. Only German propaganda could be stupid enough to frame up such an imbecile idea. I cite this episode merely to show that the propaganda institution did not die with the delusion of German might.

This German propaganda, I might add, had striking expression in certain neutral countries, especially those that adjoined Germany. In Holland and Switzerland

the system was and remains like this: The manager, chief buyer or head floorwalker of every important retail store is usually a German. His job was to create an interest in German goods. If native or Allied products were asked for it was up to him to recommend a German commodity if that commodity was available. If no German goods were accessible these commercial stool pigeons talked German goods. Their job was, as a Swiss admirably put it, "to keep the German pot boiling." I myself saw a number of these German trade propagandists of military age. When I asked why they were not serving in the army I was told that they had obtained special exemption because the German Government regarded their service to German trade more useful than their fighting qualities.

America may well profit by these revelations, because just as soon as peace lifts the barrier we shall be inundated with an army of German business agents masquerading as tourists, journalists, envoys, professors, scientists, lecturers, or any of the many other labels under which these nefarious mercenaries traveled before the war. Instead of exploiting Kultur they will pose, perhaps, as earnest seekers after the truth. Whatever their mission they will bear watching.

The survey of German industry on the threshold of permanent peace must include an appraisal of German finance. This phase is peculiarly interesting and significant, first because of the immense bill for damages that will be presented to Germany; second, for the reason that, as in no other country, the banks are the full and accredited partners of big business. What

two or three Wall Street financial institutions, who had the vision to endow American world trade, did in a small way those giant Teutonic banks have done in a world way.

Practically all the huge German trusts were either instigated or fostered by one of the four famous "D" banks—the Deutsche, Dresdener, Disconto and the Darmstädter. Each of these banks had and still has its line of pet industries. The Deutsche, for example, specialized in electrical machinery and public utilities; the Disconto in foreign railways; the Darmstädter in narrow-gauge railways and breweries; and the Dresdener in water-transportation lines. Before the war these banks were in bitter and sometimes costly rivalry, but it was never a competition that lost a dollar for the German box office or prevented German enterprise or a German product from anchoring somewhere. The genius of German finance has been that it always put German pride and prestige before everything else.

The signing of the armistice found the four "D's" lined up for a common fiscal front. They do not love each other any the more, but it is the fear of failure that makes them kin. I do not mean failure in the sense of bank suspension, but I mean the possibility that the Fatherland is irreparably damaged economically.

At Zurich one of the foremost Swiss bankers, who had been in Germany in August and who has kept in close touch with the financial overlords of Berlin, Dresden and Hamburg, made the following statement to me regarding the German banking situation:

"The German Army is defeated, but German business cunning—and more especially German financial astuteness—is far from being beaten. The great German banks are stronger to-day than they have ever been before. The Deutsche Bank, for example, has deposits of nearly 2,000,000,000 marks. This means that German business is far from being crippled. When I was last in Germany the Deutsche Bank was laying plans for a world-wide campaign with the idea of capturing trade through neutral channels. All the big German financial institutions have developed, rather than reduced, their representations in the neutral countries. When you consider that the German banks dominate and control German industry you can understand that their great strength to-day will be a tremendous factor in the restoration of German business and in the rebuilding of German international trade."

One menace that threatens us in this hour of international economic readjustment lies in a pernicious feature of the German financial system. The Teutonic scheme in foreign countries has always been to convert a shoe string into a golden cable. In other words, she has made a small amount of capital do more work and establish more power than any competitor. The case of Italy furnishes the most striking example of this process.

So far as any visitation of the horrors of war is concerned Germany is unscathed. She took good care to see that they were all written elsewhere. Compared with the Allies she has not fared badly. She is the

only one of the European belligerents whose war debt, with trivial exceptions, is owed at home. Her financing for the indemnities that she will have to pay, and for the payment of the fixed charges on her debt, can be put ahead of the war bonds. The self-sufficiency, which was one of the wonders of wartime Germany, will probably continue with finance. It is lucky for the Germans that it will, because the German bank seeking to underwrite a Restoration Loan outside Germany would be about as welcome as a raiding Zeppelin over a defenseless town.

This discussion of German finance naturally leads to the all-important question, "Can Germany pay for the outrages she has committed?" Though it is not generally known, Germany was able to wage war more cheaply, perhaps, than any other country. It was one of the benefits of the self-sufficiency of her militarism. France and England, for example, had to buy shells in the United States. Germany got them all within her own confines.

In October, 1917, the well-known French newspaper, *Information*, published a striking summary of the costs of three years of war per head of population. It disclosed the fact that Germany had spent \$320 per head, or \$120 less than France. France had spent \$440 per head, or 38 per cent more than Germany. Britain had expended \$555 per head, or \$235 more than Germany.

But it is a poor lane that has no turning. Germany now faces the day of reckoning. The most staggering

indemnity in the history of the world is rolled up against her. In meeting it the German people, and more especially their late military masters, will have ample opportunity to reflect on their past performances.

Analyze Germany's resources with special reference to the possibility of the payment of her debt to humanity and you discover that despite her barking about bankruptcy she is not prostrate. For one thing the value of her neutral resources is computed to be not less than \$2,500,000,000. She has proved herself capable of miracle-working in the past. Her production of coal, for example, rose from 73,000,000 tons in 1885 to 273,000,000 tons in 1913. Her output of iron increased from 3,600,000 tons in 1885 to nearly 20,000,000 tons in 1913.

Germany's financial debt to civilization seems stupendous. Yet we have grown so accustomed to titanic numerals that they should not astound us now. Nor is the payment insuperable. To quote a well-known British authority:

"When we reflect that the annual cost to us of the Napoleonic Wars amounted to only about three days of our recent war expenditure is it fantastic to assume that in the space of, say, fifty years the figures that appear so overwhelming to-day will bear the same comparatively insignificant relation to the future wealth of Germany as our own war debt of a century ago does to our present resources?

"Germany will not only save the whole of her past

military and naval expenditure, but at a moderate estimate the release of the man power and money previously devoted to these unproductive objects should result in the production of four or five times the amount in national wealth, if devoted to industry."

IV

Turn to the other side of the picture and inventory the handicaps that will beset the revealed Germany struggling for rehabilitation. Towering above them all is the world's loss of faith in her. When faith is lost all is lost. The uppermost question on the universal lip to-day is: "Who will ever trust a German again?"

I had a striking evidence of this conviction when I returned to the United States from my last trip to the war. I was abroad when the armistice was signed. After four years of wartime transatlantic commuting, with all the hazards and hardships that attended it, I felt that at last I would have a voyage with some of the compensations of peace. I had visions of a final divorce from a life belt, lighted decks and immunity from that traveling human pest who saw a periscope, waking and sleeping. It was a vain hope. Though we sailed from Liverpool on November twenty-third—exactly twelve days after the end of the war—and despite the fact that the German Fleet—high-sea and submarine—had been surrendered, we took every precaution of war. We started in a convoy that was escorted by destroyers; we had the usual lifeboat drills; not a light was shown from the time we left the mouth of the Mersey until we sighted Sandy Hook. When I asked one of the ship's officers the reason for this

performance, he said: "We are not taking any chances with the Germans."

This lack of faith means the loss of good will, which, after necessity, is the first essential to business. It seems likely that for a good while at least the British Empire, France, and in all likelihood the whole United States, will not have any hectic desire to buy German goods. These three markets, with Russia and the Powers allied with the late Kaiser's government, absorbed most of the German exports. What will become of the surplus German stocks?

Right here we touch the most serious obstacle to the German economic regeneration; and I will tell you why. Germany began as an agricultural nation. As soon as she became stung with the ambition to rule the world she turned to industry. The result is that more than 25,000,000 of her population of nearly 70,000,000 are dependent upon foreign food. Through the same process the prosperity of the nation is absolutely dependent upon the outside absorption of more than fifty per cent of her manufactured products. Her whole economic integrity depends upon a purchasing power that is to-day not only largely anti-German but filled with rage and resentment. Germany must therefore find new markets or go back to the land for subsistence. The phenomenal growth of her population demands a constantly increasing territory. Her colonies are lost to her forever. What is she to do?

Another important fact enters into the consideration of this all-necessary export trade. The great bulk of it was reared upon a peaceful penetration in which

the German was a past master. Everywhere he took social root and became part and parcel of the country upon which he had economic designs. It was before the mask was torn from the German face and when it was an easy matter to pose as a loyal and naturalized American, Englishman, Italian or Brazilian. All the while he was one hundred per cent German, an agent of the German Government, and ready to do its bidding whatever the assignment, be it trade or trickery. "For Kaiser and Fatherland" was his inspiration, "*Deutschland über Alles*" his motto.

This penetration—full brother to the vast propaganda which sought to plant German "ideals" of art and culture—is now discredited. The world is wise to it. It will be exceedingly difficult for the boche—the name will always cling to him—to reestablish those human bases which were as destructive as naval bases. If nations profit by their errors and ignorances of the past they will set up a rigorous censorship and registration of aliens that will make future German mischief-making impossible. If a German wants to penetrate he must be required to do it with his flags unfurled, and not behind the camouflage of a pretended citizenship or a special purpose.

This loss of social leverage is matched by a loss equally acute. I mean the passing of the monopoly on those products that were once exclusively German. Thanks to the war we have found the key to the secrets of dyes, drugs, chemicals, potash, optical and bacteriological glass. The formulas of all these articles are in American hands, being made in American labor-

atories, and for American consumption. Germany will either have to undersell her new competitors or depend upon her army of scientific investigators to devise substitutes.

Gone, too, is that dream of a "Mittel-Europa" which was to crown the Germanic conquest of the world. Not only is this illusion shattered but for a long time at least Germany will find only antagonism and reproach in Austria and Turkey, who were her one-time willing dupes and tools. The American participation in the war, expressed in the rebuilding of French ports, has opened up a new highway for our products to the Near East. It fastens still another thorn into the side of the defeated and discounted Germany.

Even if Germany still retained some of the world's goodwill and had merchandise ready for export she faces the supreme humiliation of knowing that her mercantile marine—once her pride and joy—is scattered throughout the seven seas, flying the flags of nations that confuted her sinister scheme. The exaction of ton for ton leaves her well-nigh stripped of ships. Many years ago the Kaiser said: "Germany's destiny is on the seas." To-day the sea is her doom.

You have now seen a national balance sheet on which the liabilities far outweigh the assets. In addition, this German corporation—to stick to the phraseology of business—must henceforth carry an overhead of ignominy that in the last analysis is the most serious and permanent of all its handicaps.

Dark as seems the economic outlook for Germany it is no time for us to relax and ease our minds with

the realization that because the Teuton is down he will remain down. Eternal vigilance must be the watchword of the future.

In order to pay the indemnities that an outraged civilization imposes upon her Germany must be permitted a reasonable degree of recovery. She is precisely like a bankrupt concern with a huge list of creditors. These creditors will lose everything if the concern is crushed. This does not mean, however, that Germany must ever have the opportunity to swing back to her one-time international prestige. A far-flung German prosperity means a cocksure Germany with a chip on her shoulder.

The war is won. By keeping Germany economically curbed it will remain won.

VIII—*America's Opportunity*

I

THROUGHOUT the preceding chapters has run the refrain: "What is the American business opportunity after the war?" So far as England, France, Switzerland, Italy, Holland and Spain are concerned the query has been answered. It only remains to discuss the larger aspects of our new world economic relation.

When the great war staggered civilization in 1914 America was a novice among the international trade builders. As soon as Europe saw red there was a hectic scramble for both raw and finished materials. We alone stood ready to do business at the universal trade counter. A vast prosperity literally dropped into our laps. It was a self-selling proposition, proof against all the errors of judgment and otherwise that we had committed in seeking world commerce.

America's entry into the war only broadened our trade horizon for the reason that we had to expand an already enlarged productive machine. This machine can produce the munitions of peace as readily as it achieved a quantity output of the munitions of war. Hence the great struggle not only heightened our nationalism but quickened the industrial conscience.

In America, as in England, the war served a con-

structive purpose. For one thing it brought home to Washington an appreciation of the enormous asset for the public good that existed in that one-time target of legislative and political attack and which is known as Big Business.

Before the war corporation-baiting was one of our favorite sports. Individual capitalist and progressive institution shared alike in this reckless persecution of what was nothing more or less than vision and energy. The fact that a man had more foresight and courage than his fellow and thereby amassed a fortune singled him out as a "malefactor" and therefore an undesirable citizen. Yet the very corporations that suffered the most were those that had planted the flag of American commerce throughout the seven seas.

The moment we got into the war the need of business training and experience was recognized as an essential to the successful conduct of that war. A hurry-up call flashed from sea to sea and the result was a mobilization of business brains for the national service such as no other country has ever witnessed before. The Hurleys, Davisons, Baruchs, Ryans, Stettiniuses, Thornes, Deedses, and Schwabs were merely types of the captains of commerce who flocked unselfishly to the standard of war. But for these men we would not have registered our mighty war effort. Their brothers abroad likewise made possible the Services of Supply that fed, equipped and transported the American Expeditionary Forces in France.

It is an ill wind that blows nobody good. During the war Washington realized that the so-called Amer-

ican trust was not the cloven-footed institution that the self-seeking politician and the unsuccessful competitor labeled it. Practically all the Government suits instituted under the Sherman law were dropped and the indications are that they will not be resumed. This is a definite advance in our preparedness to meet the bitter commercial competition that has developed with peace. The enactment of the Webb Law, which enables American corporations to unite in the campaign for foreign trade is just another evidence of the dawn of reason. Without this legalized coördination we would be at the mercy of the so-called *cartel*—or syndicate—which was one of the props of Germany's deep-rooted economic penetration.

One great defect in our old-time overseas business adventuring was a lack of financial facilities. We were compelled to do business with foreign banks, who, by the circumstance of their organization, became familiar with all our trade secrets. Most of these banks were either British or German owned. A bank is seldom a philanthropist. No wonder we were under-sold and out-bid everywhere.

The war taught us to do international banking in terms of billions, and what is more important, to set up our own financial outposts. The branch banks that we established for the convenience of our soldiers in France mark the beginning of a chain of institutions that will encircle the globe. The precedent has been established in South America and Italy by the National City Bank of New York. Institutions of the caliber of the Guaranty Trust Company are following it up.

The branch bank is not only a permanent advertisement of American enterprise but it is likewise a definite salesman. It is the magnet that attracts business opportunities.

Wall Street has learned to look beyond the confines of Manhattan for its great commercial underwriting. Such organizations as the American International Corporation and the new American-Foreign Trade Corporation, formed to barter and trade with the Near East, indicate that we are coming into an era of world-wide undertakings which will help to stabilize and make permanent the trade thrust upon us during the four years of war. No less indicative of the new spirit is the French-American Banking Corporation organized to exploit Franco-American business interests.

No war-born asset, however, is quite so important as the establishment of a merchant marine. Prior to the war 9.7 per cent of our total exports was carried in American bottoms. If our program of shipping construction is carried out we will have sufficient vessels to move more than 50 per cent of all our commerce in vessels flying the American flag. Yankee sovereignty is coming back to the high seas that it dominated back in the old days of the clipper ships.

But all this equipment, admirable as it is, will be impotent if we do not have a definite foreign trade policy. This means, first of all, that we must train our youth for commercial careers abroad. One reason why Germany was able to achieve a peaceful conquest of the world was that she made trade education a part of the course of instruction in her schools and colleges.

It is a vital phase of the vocational system. If the German youth, for example, was booked for work in the Philippines, he was taught Spanish and English along with his geography. More than this, he knew long before he was in his teens that he was to dedicate his life to export business. All his training, therefore, was in that direction. This means that we must make of business, as we must make of diplomacy, a definite and honorable calling.

Both Germany and England have proved that an efficient Consular service is an inseparable link in the international business chain. Happily, the State Department has awakened to this fact. It has asked for an increase of more than \$1,000,000 in its next appropriation in order to expand its foreign service program. It proposes to follow Britain's lead and establish a new office known as "Economic Expert." They will perform some of the functions now performed by the so-called "Commercial Attachés." Unfortunately we have only had these Attachés at Paris, London, Petrograd and Buenos Ayres. All of them labored under a hopelessly inadequate equipment and were invariably handicapped by a small staff. The fact that we are increasing our whole consular service means that our business men scattered throughout the world will henceforth have the same aid and coöperation that have hitherto been bestowed on their British and German competitors.

We can have no definite foreign trade policy, however, without enlisting the all-important adjunct of a knowledge of foreign languages. For years most of

our "special agents" abroad did business with the aid of interpreters. Often these interpreters were crooks in the employ of rivals. A foreigner is always pleased and flattered when you can talk to him in his own language. The simple fact that two million Americans have gone to France as soldiers and picked up a smattering of French means that henceforth our business relations with that gallant republic will not only be bigger and broader but much more intelligent.

The new world business opportunity revealed by the war will help to invest commerce with a whole new dignity and distinction. England discovered during the war that trade is not a vulgar thing but a dynamic force that is a bulwark against the enemy in more ways than one. The hand that tended the shop was the hand that stopped the German. What Napoleon called "a nation of shop-keepers" has turned to a revival of its one-time commercial supremacy with an energy and a faith that, as I have frequently emphasized elsewhere in this book, will make her our most formidable adversary.

We needed no war stimulus to bring home the realization that business lies at the root of everything. The most fascinating of all American romances is the narrative of the self-made who rose from forge and counter to be the stewards of our wealth. We made war a vast business. In the same way we can make peace an enterprise that will achieve a glory comparable with the valor of our fighting men.

II

One phase of American preparedness for the business battles of peace demands a little chapter all its own. I mean that section of our declaration of independence of German industry which is written in the establishment of our dyestuff industry. Nowhere has a war-time revelation been more brilliantly or patriotically capitalized than in this demonstration of American courage and resourcefulness.

No man need be told at this late date that among the shocks that followed the outbreak of war in 1914 was the tragic realization that the world was dependent upon Germany for practically all her dyestuffs. With bribery, coercion, and the employment of her whole ramified secret service system, Industrial Germany, which was the full-partner of Militaristic Germany, had made America, England and France her vassals in the matter of these essential adjuncts to textile manufacture.

Germany was wise in establishing this thralldom. Every dye factory is a potential munitions plant. By having what amounted to a monopoly on dye-making she not only fortified her immense fighting machine and made herself self-sufficient, but at the same time kept America, France, and England from setting up a similar bulwark. England and France declared war at once and could expect no dyes from their enemy.

With America it was different. We were then a

neutral and had a right to purchase these needed supplies. Germany, however, immediately placed an embargo on the export of dyes. Her purpose was to create such discontent and dissatisfaction in America that we would be compelled to request England to lighten the blockade which had formed an iron ring around Germany. Just as she made the mistake of invading Belgium, ravaging France, and forcing America and England into the war, so did she commit the colossal error of believing that we would impotently submit to such tactics.

For years an infant dye industry had eked out a precarious existence in the United States. One reason why it had never been permitted to raise its head was that Germany took precious good care to absorb every new concern or make it difficult and costly for those who survived to carry on. To quote Francis P. Garvan, the Alien Property Custodian:

"Germany has misused our patent system, just as she had misused and violated our Sherman Law, our antidumping laws, our antibribery acts, our business code, and our common code of honesty. She had taken out patents for all her developments, covering, in many instances, not only the processes, to prevent manufacture here, but also the product, to prevent our taking advantage of any possible development in the dye industry of other countries."

The net result was that when hostilities began we were importing 90 per cent of all the dyes we used from Germany. The total amount aggregated 29,000 tons. This is not a great amount as figures go these

days but more than \$3,000,000,000 worth of business was absolutely dependent upon these dyes.

Long before we took our place in the battle line of freedom we had begun to expand our dye industry. The moment we came to grips with Germany a powerful weapon was placed in our hands. Thousands of valuable German dye patents were owned in America. The great dye concerns, six in number, all had branches over here. These patents were seized by the Alien Property Custodian; sold to one hundred per cent Americans, and now form the backbone of an industry which includes ninety firms and which represents a capitalization of nearly \$500,000,000.

Out of this defiance of German commercial tyranny has developed a novel experiment in the real democracy of industry. The German patents—they number more than 4,000—which apply to chemistry have been sold by the Alien Property Custodian to a quasi-trustee corporation known as the Chemical Foundation. It is capitalized at \$500,000, \$400,000 being in 6 per cent preferred stock and \$100,000 in common stock which is also limited to 6 per cent.

All this stock has been underwritten by members of the American Dye Institute and has been distributed to the dye producers. Eventually it will also be held by the consumers. It is the intention that no one will own more than one thousand dollars worth of stock, that is, eight hundred preferred and two hundred common. By this admirable scheme discrimination in favor of the large producer or consumer is automatically eliminated.

All license fees for the use of patents will be employed to take up the preferred stock. All surplus thereafter above six per cent will be expended for the development of research and encouragement of the chemical industry in America. The Chemical Foundation exemplifies the highest commercial and scientific patriotism.

The stock is controlled by a Board of Trustees consisting of Otto Bannard, President of the New York Trust Company, Chairman; Cleveland H. Dodge; George L. Ingraham, late Presiding Justice of the Appellate Division of the New York Supreme Court; Ralph Stone, President of the Detroit Trust Company; and Benjamin Griswold, of Brown & Son, Baltimore. They have served as the Advisory Sales Committee of the Alien Property Custodian for over a year. The counsel is Joseph H. Choate, son of the late Ambassador to the Court at St. James, while the patent counsel is Ramsay Hoguet.

The Foundation will license any competent and loyal American individual or corporation that seeks to enter the business. More than this, it has brought about for the first time an adequate protection of this new industry in the shape of a licensing system and a tariff. In this way German dumping will be prevented and permanent immunity obtained from the outrageous monopoly which existed before the war. It has likewise established an Intelligence Department which will co-ordinate, preserve and utilize all the chemical information gathered by every government department during the war, and, what is more important, make

that information accessible to the whole American public.

No activity of the Chemical Foundation is more significant than its Laboratory Census. This performance will disclose precisely what facilities are available in America for the larger development of commercial chemistry. Here we have taken a sheaf from the German book. The real secret of the Germanic worldwide trade conquest lay in the harnessing up of her whole scientific resource and equipment to the needs of business, which meant that they were geared also to the needs of war. This closer union in America between the university and the factory means that henceforth we can never again be at the mercy of any foreign power in the matter of the essentials to manufacture and to war.

Thanks to the Chemical Foundation the Chemical Warfare Service which, in an incredibly short time, enabled America to cope with the most frightful of Germany's first aids to destruction, will not be "scrapped." It is no secret now that the entire German gas program from the original chlorine cloud down to mustard gas was devised and made possible in the laboratories and factories of her Dye Trust. This fact was disclosed by the investigation of the British Mission appointed to visit the enemy chemical factories in the occupied zone immediately after the signing of the armistice. This disclosure is the best possible argument in favor of an all-American dye industry which will enable us to meet any emergency in the future. We are going into an era of disarmament. But disarma-

ment and a dozen Leagues of Nations will not prevent war. So long as avarice, desire and the fighting spirit lurk in the heart of man so long will permanent peace remain the great illusion. Hence our new dye industry is a step toward that self-preservation which is the first law of nations as it is of Nature.

Dyes only represent one of the war-born American industries. We have made ourselves independent of Germany in optical glass, knitting needles and toys. All contribute to an industrial emancipation that is one of the many permanent compensations of those years of agony and sacrifice.

III

Just as the Great War was rooted in business so must the Great Peace for which the war was fought, be bulwarked by business. If we are to rear a permanent safeguard against the aggression that plunged the whole world into disaster we must establish an economic structure that is wholly and uncompromisingly American.

Although the Peace Treaty prohibits propaganda by forbidding the existence of German militaristic societies it does not discount the social and economic penetration with which Germany poisoned the world for forty years. This propaganda, so far as the United States is affected, only lay dormant throughout the war. Its hideous head is already lifted.

Remember that Germany, as I disclosed in the chapter on Spain, is the prize world trouble-maker. She was one of the instigators of the whole Red epoch of unrest which stretched from Siberia down through Russia into Hungary. It was part of the club that Germany cunningly constructed to hold menacingly over the Peace Conference and wring undeserved concessions. Happily it failed of its purpose.

Let me illustrate with a piece of unwritten history. When I was in Switzerland in November, 1918, I discovered that during the final German peace offensive, waged about the time of the battle of Château-Thierry, the slogan of the German propagandist and peace-

monger in substance, was :—"Unless you make a peace with Germany now, we will plunge the world into Bolshevism. It means international economic disaster."

Germany did not get away with this threat, although she succeeded in stirring up serious industrial strife in Switzerland. But it proves what every man who has studied German propaganda knows, that Bolshevism which developed into the universal menace, is a German product, German framed and German financed, the prize package of discord that Teutonic cunning has handed the world.

I was in Petrograd when Lenine arrived. Figuratively, I watched him open his Pandora box of dissension and let loose a poison gas more deadly than any chemical let loose on field of battle. I have smelled its fumes in half a dozen different countries since that time. Nowhere have they been more deadly than in this United States of ours, where the viper of Bolshevism rears its hideous head as the I. W. W. It has standardized anarchy, put a premium on destruction; imposed a penalty on prosperity. It is the new Prussianism.

As I watch it develop over here I recall the tragedy of indecision that I witnessed in Russia in that great hour when the Slav democracy was young. Kerensky, extraordinary person that he was, personified that dangerous optimism which is to-day the curse of America. He sought to coddle and placate the Bolsheviki and all the while they were plotting his ruin. He could see no wrong in the vultures who were German-hired and

German-paid. Had he employed machine guns instead of diplomacy, he would have saved that precious Russian freedom and likewise spared the world a year of war.

If we are to profit by his tragic mistake, we will crush this reptile with a stern hand. The forces of evil must be met with the forces of might. The Bolsheviki, otherwise the I. W. W., needs the firing squad instead of the Federal investigation. Disloyalty to the costly fruits of peace, is no less treacherous than disloyalty to the nation at war. The I. W. W.'s of to-day are full mates to the spies and the pro-Germans of yesterday.

A tariff is only one bar to German economic penetration. The real danger lies in the social phase. No obligation, therefore, that we owe civilization and a permanent peace is greater than the censorship of immigration. We must erect a bulkhead against the tides of illicit humanity that have beaten on our shores for forty years. We must curb the long abuse of citizenship and national hospitality. The "melting pot" has become a stewing caldron of disloyalty. The sooner we convert this "melting pot" into a straining pot the better off we will be.

Certain eminent financiers who delayed their first-hand "war investigations" until the signing of the armistice assured a reasonable degree of safety on the sea, have returned home filled with heavy forebodings concerning Europe's financial future. Had they seen the gradual break-up of credit *during the war* they

would not have had such a rude shock, nor disseminated such gloom.

They are correct to the extent that Europe is well-nigh bankrupt and that we are the only solvent nation. But France and Italy—like Russia—must be permitted to work out their own salvation, each in her own way. Merely lending them more money will not instantly convert ruin into prosperity.

The real key to European economic regeneration lies in an elastic credit and the interchange of commodities. In the permanent expansion of our foreign trade and a legitimate American banking system overseas lies the real salvation of war-ridden Europe.

During the war I was privileged to see the great things. I saw the British Grand Fleet in battle order break through the mist and murk of the Scotch Coast, a memorable picture of imperial power; I beheld the high tide of French valor ride the storms of glory at Verdun; up and down the blood-soaked Somme I looked upon the deathless sacrifice of Haig's incomparable armies; I witnessed the charge of Cadorna's intrepid hosts along the death-scarred slopes of the Alps; on half a dozen fields I gazed on Pershing's men—the bravest of the brave—as they registered an imperishable heroism.

Out of all this contact with the stark and naked actuality of war is born a solemn conviction that bears on this troubled hour of revision and readjustment. It is this:—the war was a Giant Plowshare that uprooted the universe. Now, in that vast furrow, is the

time of the great seeding. As we plant to-day so will all posterity reap. The world lies molten for a recasting. We are no longer an aloof and isolated people. We cast our fortunes, our manhood, and our honor into the crucible; we have emerged reborn from the fires of faith and sacrifice and with all the larger obligations that attach to that remaking.

The kinships of to-day are the kinships that will endure. For us there is but one binding bond, and that bond is with those blood comrades of the heroic days, with that people born of our common sire and which speaks our common tongue—Britain.

When you have watched the Union Jack and the Stars and Stripes break out from the fighting tops of the Grand Fleet; when you have heard London cheer the march of armed American troops through her streets; when you have seen the doughboy and the Tommy fighting side by side on the fields of France, you realize that at last the Anglo-Saxons have come together for a union that is the most precious product of the War of Wars. In that heritage lies the hope of the world. It is the League of Leagues—the real Covenant of high faith and permanent purpose.

International Business will henceforth be projected on an unprecedented scale and with an unparalleled vigor. Germany will test every resource to rehabilitate her trade. The universal markets must be policed to prevent abuse, and the English-speaking nations must provide that stewardship. They took up arms for the sake of an ideal; they emerged into the struggle

with no lust of land. They have a common commercial cause no less vital to the integrity of civilization than their common racial destiny.

They must be the arbiters of the economic regeneration.

THE END

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